



2025 HOME Final Rule - Highlights of the Changes

On January 6, 2025, HUD published the 2025 HOME Final Rule in the Federal Register ([FR-6144-F-03](#)) with an effective date of February 5, 2025. The final rule makes major reforms to the HOME regulations and reflects HUD's commitment to improving housing outcomes for HOME beneficiaries, making HOME easier for Participating Jurisdictions to use to increase the supply and preservation of affordable housing units, improving program compliance, and implementing recent amendments to the HOME statute. For a complete list of all the rule changes, see the [2025 HOME Final Rule](#) on www.HUD.gov.

The key changes in the regulation are intended to:

- Simplify program administration and provide PJs greater flexibility in program design and implementation;
- Reduce administrative burden and simplify requirements applicable to rental, homeownership and tenant-based rental assistance (TBRA) activities;
- Better align HOME rental housing with LIHTC and other HUD rental programs;
- Strengthen tenant protections; and
- Increase access to Community Housing Development Organization (CHDO) set-aside funds for neighborhood-based organizations.

The final rule makes major improvements in the following areas:

Rental Housing

The final rule simplifies HOME rental housing requirements and eliminates the need for PJs to monitor or enforce PHA compliance with HOME requirements in units receiving rental assistance. The rule codifies statutory changes which permit an increase in rental revenue to owners and improve projects' long-term financial viability without affecting tenant contributions to rent. The rule:

- Implements HERA provisions which permits higher gross rents on HOME units where the unit or family is assisted by HCV, PBV, and PBRA;
- Permits the use of the LIHTC rent in Low-HOME rent units;
- Revises the dollar threshold for determining the applicable period of affordability;
- Permits PJs to use the PHA-established utility allowances;
- Permits PJs to accept any NSPIRE inspections (conducted within the past 12 months) to meet final (post-rehab) and ongoing periodic inspection requirements (must still conduct initial and progress inspection in rehab projects);
- Prohibits the use of surety bonds and security deposit insurance or similar in lieu or in addition to HOME security deposits; and
- Permits the purchase of a HOME-assisted rental unit by an in-place tenant who is over-income, provided the tenant was originally income eligible, occupies the housing unit as principal residence and will not be provided with additional HOME assistance for the purchase.



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Small-Scale Rental Housing

The final rule makes it easier to use HOME for small-scale rental housing (1-4 units) such as accessory dwelling units, duplexes, and triple-deckers, by streamlining ongoing compliance requirements related to:

- Income determinations - done every 3 years; PJs may follow an Alternative Income Examination Cycle.
- Tenant selection processes- PJs may adopt alternative methods to the waiting list requirement; and
- Ongoing physical inspections- required every 3 years rather than risk-based schedule.

Homeownership

The final rule simplifies requirements applicable to homeownership activities as follows:

- Establishes four compliant resale provision models that PJs may adopt to meet statutory resale requirements,
- Revises the dollar threshold for determining the applicable period of affordability;
- Extends the deadline for sale of homebuyer units from 9 months to 12 months;
- Eliminates the requirement that homebuyer acquisition projects (e.g., downpayment assistance) meet HOME property standards before transfer of title:
 - Project must meet applicable property standard within 6-months of acquisition
 - PJs have the ability to grant extensions of up to an additional 6-months, when necessary;
- Clarifies requirements for HOME funded lease-purchase programs
 - Provides additional 12 months (after the initial 36-months) to sell property to another eligible low-income homebuyer if the original homebuyer fails to purchase housing.
 - Owner is prohibited from selling the unit through another lease-purchase agreement.
 - However, PJ may provide homeownership assistance directly to next buyer.
 - Clarifies how HOME TBRA can be used in lease-purchase programs.

Tenant-Based Rental Assistance

The final rule simplifies TBRA and makes it work better for tenants, landlords, and PJs.

- Clarifies who must be party to TBRA contract and distinguishes among new contracts, amendments, and renewals; Permits TBRA contracts to commence on first day of lease or first month TBRA is provided to an in-place tenant;
- Reduces frequency of income determinations from annual to every 2 years and permits PJs to use income safe harbors for income determinations;
- Permits PJs to adopt hardship policies that provide exceptions to minimum tenant contribution requirement;
- Permits PJs to accept NSPIRE inspections (conducted within past 3 months) to meet ongoing inspection requirements;
- Prohibits use of surety bonds, security deposit insurance, or similar mechanisms in lieu of or in addition to HOME security deposits; and



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- Requires the use of HOME lease tenancy addendum that imposes a set of tenant protections for TBRA and security deposits only programs.

Income Determinations

The final rule aligns HOME income requirements with LIHTC, and other HUD rental assistance programs and reduces the administrative burden of determining the income eligibility of families applying for or living in HOME-assisted rental units or receiving TBRA. The rule establishes income safe harbors and PJs may use any that apply to the unit or the family and requires PJs to include option(s) it has selected for calculating annual income in the HOME written agreement. Income safe harbors permit PJs to accept income determinations (initial and recertifications) made by:

- Other federal programs in HOME-assisted units that are assisted by Federal or State project-based rental subsidy;
- A PHA or provider of Federal TBRA if family is being assisted;
- Another entity in HOME-assisted units developed with LIHTC; and
- A provider (federal, state or local) of a form of public assistance if family is being assisted (e.g. TANF, WIC, SNAP, Medicaid, local rental assistance voucher), provided the income was calculated within previous 12 months.

Property Standards

The final rule clarifies and simplifies property standards and ongoing on-site inspection requirements.

- Requires the installation of carbon monoxide and smoke detection;
- Clarifies that statutory minimum energy standards apply to new construction projects;
- Establishes the sample size for ongoing periodic inspections of HOME-assisted rental units. Inspections must:
 - Be based on a random sample of HOME units with a mix of sizes
 - Comply with the sample size chart in the final rule. and
 - Include the inspectable areas for each building containing HOME units.

Strengthens Tenant Rights and Protections

The final rule expands and strengthens tenant protections through the mandatory use of one of three HOME tenancy addenda that contain tenant protections specific to HOME rental housing, TBRA or security deposit assistance only. While the security deposit assistance only addendum will include the lease terms prohibited in the HOME statute, the rental housing and TBRA addenda are expanded to include protections that address:

- The physical condition of the unit and project;
- Tenant's use and occupancy of the unit and project
- Notices that must be provided to a tenant by an owner;



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- Tenant's right to available legal proceedings and remedies; and
- Protections for the tenant from unreasonable interference or retaliation by an owner.

The addenda will be issued via CPD Notice.

Community Housing Development Organizations

The final rule makes it substantially easier for many community-based nonprofit organizations to access CHDO set-aside funds by:

- Broadening the individuals who can count toward the 1/3 minimum requirement for low-income representation on the CHDO's board;
- Narrowing who counts toward the 1/3 limitation on public officials on CHDO boards; and
- Permitting CHDOs to share development responsibilities with other entities to meet the CHDO organizational capacity requirements, provided the CHDO retains decision-making authority with respect to certain aspects of development.

In addition, the rule eliminates a timing requirement that constituted an impediment to organizations seeking to become CHDOs accessing CHDO operating expense assistance to obtain required capacity.

Community Land Trusts (CLTs)

The final rule includes a new definition of *community land trust* that encompasses the specific purposes for which CLTs are formed, namely, to acquire, develop and hold housing for low-income persons through the use of enforceable mechanisms to ensure permanent affordability. The final rule also incorporates the FY 2016 HUD Appropriations Act requirement that CLTs can retain a right of first refusal or preemptive right to purchase housing and related improvements on land held by the CLT to maintain long-term affordability in certain circumstances.

Maximum Subsidy Limits

The final rule provides HUD with the flexibility to establish its methodology for determining the maximum per-unit subsidy limits through Federal Register notice, allowing for periodic changes or adjustments.

- Initially, HUD will set the limit at 270% of the Section 234 mortgage insurance limits – an increase of approximately 12.5% over the current limit; and
- HUD will post the limits annually on the HUD.gov website

Pre-development Costs

The final rule makes HOME-assisted housing easier to finance by broadening the list of pre-development costs that can be incurred up to 24 months before a commitment and reimbursed with HOME funds (must be in the HOME written agreement). New eligible costs for reimbursement include:



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- Costs of environmental studies, assessments, or reviews;
- Costs to process and settle financing for the project including private lender origination fees, credit reports, fees for title evidence, legal fees, private appraisal fees and fees for independent cost estimates; and
- Accounting fees, filing fees for zoning or planning review and approval, and other lender-required third-party reporting fees.

Green Building Incentive

The final rule supports PJ efforts to meet industry-recognized green and resilient building standards in housing being constructed, reconstructed, or rehabilitated with HOME funds.

- Establishes 10 percent per unit subsidy limit increase for HOME-assisted projects that meet a specified green or resilience standard; and
- HUD will publish the qualifying standards in the Federal Register

Written Agreements

The final rule makes technical corrections and revises the written agreement provisions to reflect all updated requirements.

Grant Closeout

The final rule codifies and explains the current process for HOME grants, including the requirements, procedures, actions that must be completed by the PJ and HUD to close out a grant.