

How many local communities will receive direct funding from HUD?

More than 250 local cities and counties received grants as well as all 50 states, including Puerto Rico and the District of Columbia. Funding is also made available for the four Insular Areas.

How did you allocate the funding?

Congress intended this funding be targeted to areas of greatest need based on the number and percent of foreclosures, subprime mortgages and delinquencies and defaults. Further, Congress also required that each state receive at least \$19.6 million. Many states received significantly more than this mandatory minimum.

Again, following congressional intent to make sure these funds have maximum impact and are targeted to States and local communities with the greatest needs, HUD analyzed data from several different sources:

- The Mortgage Bankers Association *National Delinquency Survey* and the Census Bureau's *American Community Survey*;
- The Federal Reserve's Home Mortgage Disclosure Act (HMDA) data on high-cost loans at greatest risk of default and foreclosure;
- Office of Federal Housing Enterprise Oversight (OFHEO) on home price declines;
- Unemployment data from the Bureau of Labor Statistics; and
- U.S. Postal Service data on home vacancies.

Why didn't MY community receive a grant...we have needs too?

All communities will have access to grants, but Congress was very clear that the purpose of this funding was to target those areas with the greatest exposure to foreclosures, subprime mortgages, delinquencies and defaults. At Congress's direction, we believe we have developed a fair and data-driven formula that will do exactly that. We also wanted to make certain that this funding will have a meaningful impact at the State and local level.

The Housing and Economic Recovery Act of 2008 requires that State's must "give priority emphasis and consideration to those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest needs. If your state government agrees that certain areas that didn't receive direct grants from HUD should get this funding, then it is incumbent on your state to target their funds to these areas.

What will this money do?

This funding is intended to stabilize neighborhoods. To do this, State and local governments can:

- Buy abandoned or foreclosed homes;
- Redevelop demolished or vacant properties;
- Demolish or rehabilitate abandoned, foreclosed or blighted properties;
- Offer down payment and closing cost assistance to low- to moderate-income homebuyers
- Reuse properties for affordable rental housing

In addition, these grantees can create “land banks” to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of property.

How long do States and local communities have to spend this money?

Grantees have 18 months to obligate these funds, and four years to expend funds. Congress was very clear that this money be put to work quickly. In some areas, this level of federal funding will be unprecedented, so HUD will help these communities implement their programs. Meanwhile, we are actively encouraging local governments to coordinate with each other and with their state governments. Implementing these programs may require an area-wide or even regional approach. We believe it may require state and local planners to put their collective heads together to ramp up these programs in a very short time frame.

Congress was very clear that there is an urgency to deal with a national housing crisis.

What will happen if grantees don't obligate their funding within 18 months?

HUD will recapture the funds.

How can residents in my community access NSP funds to combat the foreclosure crisis we are facing?

Please be advised that NSP grants are only distributed to designated NSP grantees—state agencies and local governments. HUD does not make grants directly to individuals or nonprofit organizations. Each grantee will have to determine how best to allocate its NSP grant so long as it complies with the eligible uses described in Title III of the Housing and Economic Recovery Act of 2008. When NSP grantees submit their action plan amendment to receive their NSP allocation, they will indicate how they plan to manage the funds. Local governments & states can distribute funds to other local governments, to nonprofits and other governmental entities, and can carry out activities directly. In some cases, NSP grantees may choose to manage their grants collaboratively with other NSP

grantees or contract out to a private organization. Individual citizens or nonprofits should check with their local government or state to find out how they may receive assistance. Further, HUD will post contact information for each NSP grantee as soon as the information becomes available

Have the NSP regulations been published yet in the Federal Register? If so, is it possible to get an electronic copy?

Yes, the NSP Federal Register Notice is currently available on the NSP website. It was also published in the Federal Register on October 6, 2008, cited under 73 FR 58330.

When will information on the NSP information sessions be available?

NSP grantees can register for NSP information sessions through the NSP website. Registration materials are currently available for the following sessions:

- October 10th in Orlando, FL
- October 14th in Columbus, OH
- October 16th in Orlando, FL

Will the general administration and planning costs for NSP be the same as CDBG (20%)?

No, the general administration and planning costs for NSP will **not** be the same as under the regular CDBG program. HUD is providing an alternative requirement that limits general administration and planning costs to 10 percent for NSP grants. Additional information on this requirement is in the Federal Register Notice under Section G. State's direct action, "Requirements."

New construction is an eligible activity under NSP, does the new construction have to follow the CDBG requirements and be done under 24 CFR 570.204 by a Community-Based Development Organization?

HUD does not have any specific restrictions on doing new construction of housing beyond the normal CDBG program requirements. New housing construction does not have to be done by a CBDO to be eligible under the NSP program.

Can land banking include purchasing a foreclosed or abandoned property that has a structure on it or does the property have to be vacant land?

Where the definition of a land bank in the Federal Register Notice refers to "vacant" land, it is referring to unoccupied properties. Land banking activities may include properties with or without structures, as long as they are foreclosed upon as required by the land bank eligible use as described in the Notice.

The Federal Register Notice discussion on program income says that the sale of property must be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate the home or property, but the example talks about a \$25,000 profit. How can there be profits if the sale must be in an amount equal to or less than the acquisition cost?

It is true that in some circumstances the sale of a property will not generate a profit, but there is a vital distinction. The requirement regarding the sale price has to do with selling a property to someone for use as their residence (see Notice section J). The example cited in the Federal Register Notice question concerns program income requirements, and it talks about selling a multifamily building (such as a rental property), but the example does not talk about selling individual units to individual homeowners; it talks about selling the entire building. Nothing prohibits selling a residential building to an investor, developer or a nonprofit for a profit.

If an NSP grantee uses both NSP and CDBG funds to acquire and rehabilitate a property, how do you prorate the program income and in this situation can profits be generated?

The proration is based on the amount of NSP and regular CDBG funds used. For example, if an entitlement community buys a property for \$10,000, rehabilitates it for \$10,000, and then sells it for \$22,000 (assuming the sale is not to an individual for use as a primary residence). The cost of acquisition and rehabilitation is paid with NSP funds (75%) and entitlement funds (25%). The NSP program income is \$16,500 (75% of \$22,000) and regular CDBG program income is (\$5,500). The profit that is subject to be returned to the Treasury is \$1,500.

Can an NSP grantee offer NSP funding to a person whose home has been foreclosed in order to buy back the same home or another home? Can a nonprofit purchase a foreclosed home and sell it back to the original owner whose home was foreclosed?

Nothing would prevent a grantee from taking these actions so long as the person receiving the NSP assistance meets the income qualifications. However, it is up to the grantee to decide whether this is an appropriate use of their funds.

The NSP Federal Register Notice addresses the purchase discounts of 5% and 15% respectively. One is considered an individual purchase discount (5%) and the other is purchases in the aggregate (15%). If an individual purchase is just that, the purchase of a single property in one transaction, how do you define a purchase in the aggregate?

Aggregate purchases for NSP are defined as all properties that an NSP grantee purchases with its entire NSP grant.

How would the purchase discount requirements apply to a bulk purchase of properties?

Arranging to purchase multiple properties in bulk may not have much effect on meeting the individual and aggregate purchase discount requirements. The individual discount requirement still applies to each individual house and an appraisal is required for each house. If a grantee made three different bulk purchases of 10, 20 and 7 houses each, and then separately bought 4 other houses one at a time, the aggregate purchase discount is applied to all 41 houses. However, using a bulk purchase arrangement might help the grantee to meet the lower, 10% aggregate discount, if those bulk purchase prices were determined using carrying costs & other factors identified in the notice.