

Overview of HUD's Neighborhood Stabilization Program (NSP)

What is the Neighborhood Stabilization Program?

The new \$3.92 billion Neighborhood Stabilization Program (NSP) is a HUD-funded program authorized by the Housing and Economic Recovery Act of 2008 (HERA). It is a supplemental allocation to the Community Development Block Grant (CDBG) program to respond to the effects of high foreclosures and declining property values currently experienced in many communities across the nation.

Through NSP, HUD will provide targeted emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. The table below presents an overview of the funds available nationally, at the state level, and locally.

Overview of Available of Funds	
NSP National Allocation	\$3.92 Billion
Entire Texas Allocation	\$178,143,197
Texas State Program Allocation	\$101,996,848
Funds Earmarked for Williamson County	\$1,066,554

Grantees must distribute and use funds in the greatest areas of needs within their communities. These include areas in each state or unit of general local government with greatest percentage of home foreclosures, the highest percentage of homes financed by a subprime mortgage related loan, and areas with homes in default or delinquency that are likely to experience a significant rise in home foreclosures.

The Neighborhood Stabilization Program in Texas

Texas will receive approximately \$178M, of which approximately \$76M has already been identified by HUD as a direct allocation to 14 cities and counties with the greatest need.

Entities in Texas Receiving Funds Directly from HUD		
Community	NSP Allocation	Local Foreclosure Rate
ARLINGTON	\$2,044,254	3.8%
DALLAS	\$7,932,555	3.7%
DALLAS COUNTY	\$4,405,482	4.6%
EL PASO	\$3,032,465	5.1%
FORT BEND COUNTY	\$2,796,177	3.4%
FORT WORTH	\$6,307,433	4.2%
GARLAND	\$2,040,196	5.0%
GRAND PRAIRIE	\$2,267,290	5.3%
HARRIS COUNTY	\$14,898,027	4.5%
HIDALGO COUNTY	\$2,867,057	8.2%
HOUSTON	\$13,542,193	4.1%
MESQUITE	\$2,083,933	5.9%
SAN ANTONIO	\$8,635,899	3.9%
TARRANT COUNTY	\$3,293,388	2.9%
TEXAS STATE PROGRAM	\$101,996,848	3.2%

The Texas Department of Housing and Community Affairs along with the Office of Rural and Community Affairs (ORCA) and the Texas State Affordable Housing Corporation (TSAHC) will work together to administer the remaining \$102M funds. The state proposes to allocate funds into three funding pools.

Program Distribution of Texas NSP Funds by TDHCA:

Direct Allocation	\$ 50,692,336
Select Pool	\$ 41,274,512
Land Banking	\$ 10,000,000
Administration (10%)	<u>\$ 10,196,685</u>
Total Texas NSP Allocation	\$101,966,848

Source: TDHCA NSP proposal submitted to HUD December 1, 2008

The State will provide a reservation for a specified amount of direct NSP allocation for use in the top-ranked counties identified based upon the need factors. These counties are:

Entities in Texas Eligible to Receive a Direct Allocation from the Texas State Program			
County Name	Allocation	County Name	Allocation
Tarrant	\$7,320,349	Potter	\$1,579,681
Dallas	\$4,684,332	Jefferson	\$1,498,945
Cameron	\$3,465,632	Denton	\$1,166,500
Bexar	\$3,150,408	Taylor	\$1,099,259
Hidalgo	\$3,005,258	Williamson	\$1,066,554
Harris	\$2,875,584	Bell	\$1,064,488
Nueces	\$2,522,253	Lubbock	\$1,057,705
Collin	\$2,278,454	Galveston	\$1,003,104
Webb	\$2,025,812	Wichita	\$803,464
Travis	\$2,017,952	Fort Bend	\$726,857
Montgomery	\$1,697,675	Ector	\$699,232
El Paso	\$1,648,634	McLennan	\$647,971
Brazoria	\$1,586,234		

Source: TDHCA NSP proposal submitted to HUD December 1, 2008

To remain qualified for the reservation amount of a direct allocation identified in above, initial applications within each eligible county must be submitted within 30 days of notification on the TDHCA web site that HUD has approved the Substantial Amendment to their Action Plans submitted to HUD on December 1st. Failure to meet this deadline will result in the funds no longer being reserved for the county.

At this time there is no notice/call for projects.

Eligible Uses

NSP funds may be used for activities which include:

- Establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties; including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low-to-moderate-income buyers.
- Purchase and rehabilitate homes and residential properties abandoned or foreclosed. Eligible activities include: acquisition, disposition, relocation, direct homeownership assistance, eligible rehabilitation and preservation activities for homes and other

residential properties, and housing counseling for those seeking to take part in the activity.

- Establish land banks for foreclosed homes (acquisition or disposition).
- Demolish blighted structures.
- Redevelop demolished or vacant properties. Eligible activities include: acquisition, disposition, public facilities and improvements and housing counseling public services (limited to prospective purchasers or tenants of redeveloped properties) and relocation.

Key Factors of implementation

- Funds must be obligated in 18 months. NSP funds are obligated when orders are placed, contracts awarded or serviced received.
- Funds must be expended within four (4) years.
- Real Estate Owned (REO) Purchases must be at a discount.
- All program income must be repaid to and used by the grantee. Program income earned before 7/30/13 must be used for other NSP activities. Program income earned after 7/30/13 must generally be remitted to the Treasury.
- The sale of homes acquired with NSP funds must be in an amount equal to or less than the cost to acquire, rehab and dispose of the home (in other words no profits can be made).
- Activities must be concentrated on geographic areas of greatest need.
- Activities must meet the Uniform Relocation Act (URA), fair housing, and environmental requirements.
- NSP assisted households will have to complete at least 8 hours of housing counseling.
- All funding shall benefit families at or below 120% of the area median income (AMI)
- 25% of funding is to house families at or below 50% of AMI.

2008 Income Limits Applicable to NSP (Adjusted by Household size) Austin-Round Rock Metropolitan Statistical Area (MSA)

% of AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
50 % (Low Income)	\$24,900	\$28,450	\$32,000	\$35,550	\$38,400	\$41,250	\$44,100	\$46,950
120 % (Middle Income)	\$59,700	\$68,250	\$76,800	\$85,300	\$92,150	\$98,950	\$105,800	\$112,600

Potential Challenges	Possible Solutions and Considerations
Application Timeline <ul style="list-style-type: none"> ▪ Initial applications within each eligible county must be submitted within 30 days of notification on the TDHCA web site that HUD has approved the Substantial Amendment to their Action Plans. 	
Data	

<ul style="list-style-type: none"> ▪ Determining the inventory of foreclosed units, their location, and physical condition. ▪ Determining what the market for the resale of foreclosed units is. Are there sufficient number of income eligible homeowners who have the financial capacity and credit to buy these units? 	<ul style="list-style-type: none"> ▪ Coordination with local lenders, property tax offices and courts in order to obtain information on foreclosures, subprime mortgages and predicted future foreclosures. ▪ Review of independent data sources.
Coordination <ul style="list-style-type: none"> ▪ The direct allocation for Williamson County is both for the county as a whole and any cities within the county who wish to participate. Coordination will be required to ensure the proposals do not duplicate the efforts. 	<ul style="list-style-type: none"> ▪ Coordination will be required to determine the funds that each entity will apply for, as well as geographic areas where each entity will concentrate. ▪ Have the individual cities apply directly for the funds and administer them.
County Capacities <ul style="list-style-type: none"> ▪ The CDBG office has limited experience funding housing acquisition, rehabilitation, or disposition activities. ▪ The CDBG office has limited staff. 	<ul style="list-style-type: none"> ▪ Hire an outside consultant. ▪ Hire staff with expertise in this area.
Timeliness <ul style="list-style-type: none"> ▪ Grantees have 18 months to use NSP funds. 	<ul style="list-style-type: none"> ▪ Attractiveness of program design will need to be measured against ability to obligate funds quickly.