

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5255-N-02]

Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees under the Housing and Economic Recovery Act, 2008; Revisions to Neighborhood Stabilization Program (NSP) and Technical Corrections

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Notice of allocation method, waivers granted, alternative requirements applied, and statutory program requirements; revisions to Neighborhood Stabilization Program and technical corrections.

SUMMARY: On October 6, 2008, the Department published a notice advising the public of the allocation formula and allocation amounts, the list of grantees, alternative requirements, and the waivers of regulations granted to grantees under Title III of Division B of the Housing and Economic Recovery Act of 2008, for the purpose of assisting in the redevelopment of abandoned and foreclosed homes under the Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes heading, referred to throughout this notice as the Neighborhood Stabilization Program (NSP). This document advises the public of substantive revisions to the October 6, 2008, notice, primarily as a result of changes to NSP made by the American Recovery and Reinvestment Act of 2009. This document also makes a number of non-substantive technical corrections or clarifications to the October 6, 2008 notice.

DATES: The effective date (except as specified herein) remains as published in the Federal Register on October 6, 2008.

FOR FURTHER INFORMATION CONTACT: Stanley Gimont, Director, Office of Block Grant Assistance, Department of Housing and Urban Development, 451 Seventh Street, SW,

Room 7286, Washington, DC 20410, telephone number 202-708-3587. Persons with hearing or speech impairments may access this number via TTY by calling the Federal Information Relay Service at 800-877-8339. FAX inquiries may be sent to Mr. Gimont at 202-401-2044. (Except for the "800" number, these telephone numbers are not toll-free.)

SUPPLEMENTARY INFORMATION:

Title III of Division B of the Housing and Economic Recovery Act, 2008 (HERA) (Public Law 110-289, approved July 30, 2008) appropriated \$3.92 billion for emergency assistance for the redevelopment of abandoned and foreclosed homes and residential properties, and provides under a rule of construction that, unless HERA states otherwise, the grants are to be considered Community Development Block Grant (CDBG) funds. The grant program under Title III is commonly referred to as the Neighborhood Stabilization Program (NSP). HERA authorizes the Secretary to specify alternative requirements to any provision under Title I of the Housing and Community Development Act of 1974, as amended, (the HCD Act) except for requirements related to fair housing, nondiscrimination, labor standards, and the environment (including lead-based paint), in accordance with the terms of section 2301 of HERA and for the sole purpose of expediting the use of grant funds. On October 6, 2008, HUD published a notice (73 FR 58330) advising the public of the allocation formula and allocation amounts, the list of grantees, alternative requirements, and waivers granted. Today's notice advises the public of substantive revisions to the October 6, 2008 notice, primarily as a result of changes to NSP made by Title XII of Division A of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") (Public Law 111-005, approved February 17, 2009). Today's notice also makes a number of non-substantive technical corrections to the October 6, 2008 publication.

Substantive Revisions

The substantive revisions made by this notice follow. The Federal Register page number identifies where the language to be revised can be found in the October 6, 2008, notice.

A. Section 2301(c)(3)(C) of HERA was amended to permit NSP funds to be used to establish and operate land banks for homes and residential properties that have been foreclosed upon. As a result, and to ensure consistency with section 2301(c)(3)(C) of HERA, HUD is amending the definition of “Land Bank” at page 58332 to read as follows:

Land bank. A land bank is a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. For the purposes of NSP, a land bank will operate in a specific, defined geographic area. It will purchase properties that have been foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties. If the land bank is a governmental entity, it may also maintain foreclosed property that it does not own, provided it charges the owner of the property the full cost of the service or places a lien on the property for the full cost of the service.

The table of NSP eligible uses on page 58338 has also been revised to reflect this change. The corrected table of eligible NSP uses is published below. In addition, the definition of Subrecipient on page 58332 is revised to clarify that a land bank is a subrecipient, as follows:

Subrecipient. Subrecipient shall have the same meaning as at the first sentence of 24 CFR 570.500(c). This includes any nonprofit organization (including a unit of general local government) that a state awards funds to. The term also includes any land bank receiving NSP funds from the grantee or other subrecipient.

B. Section 2301(d)(4) of HERA, which established requirements for the disposition of

revenue generated by NSP assisted activities, was repealed by the Recovery Act. As a result of this repeal, revenue generated from the use of NSP funds and received by a private individual or other entity that is not a subrecipient is not required to be returned to the grantee as was required by section 2301(d)(4). Notwithstanding the elimination of this requirement, grantees are strongly encouraged to avoid the undue enrichment of entities that are not subrecipients. For example, grantees are encouraged to structure assistance to developers that undertake acquisition and/or rehabilitation as loans rather than grants. Grantees are also encouraged to include language in agreements with entities that are not subrecipients that provides for grantees to share in any excess cash flow generated by the assisted project to the extent practicable. (Generally, excess cash flow on a real estate project is the amount of cash generated from operations, sales, or refinancing that is in excess of the amount required to provide the owner a reasonable return on its equity investment.) A further result of the repeal of this provision is that program income received after July 30, 2013 is not required to be returned to HUD for deposit in the Treasury. However, the program income requirements of the CDBG program are still applicable to income directly generated from the use of NSP funds and received by grantees or subrecipients.

Accordingly, the definition of “Revenue for the purposes of section 2301(d)(4)” on page 58332, first column, of the October 6, 2008, notice is removed. In addition, Section N beginning on page 58340, second column, of the October 6, 2008 notice is revised to read as follows:

N. Alternative Requirement for Program Income Generated by Activities Assisted With Grant Funds

Requirement

1. Revenue (i.e., gross income) received by a state, unit of general local government, or subrecipient (as defined at 24 CFR 570.500(c)) that is directly generated from the use of CDBG

funds (which term includes NSP grant funds) constitutes CDBG program income. To ensure consistency of treatment of such program income, the definition of program income at 24 CFR 570.500(a) shall be applied to amounts received by states, units of general local government, and subrecipients.

2. Cash management. Substantially all program income must be disbursed for eligible NSP activities before additional cash withdrawals are made from the U.S. Treasury.

3. Agreements with subrecipients. States and units of general local government must incorporate in subrecipient agreements such provisions as are necessary to ensure compliance with the requirements of this section.

C. Section 2301(d)(1) of HERA limits the purchase price of a foreclosed upon home or residential property by requiring the property to be purchased at a discount from the current market appraised value. Section Q of the October 6, 2008, notice implemented purchase discount requirements on individual purchase transactions and purchase transactions in the aggregate. HUD has received numerous expressions of concern from grantees and other interested parties that the current requirements need to be modified to permit greater flexibility in addressing local market conditions and to avoid a downward spiral in property values in neighborhoods where discounts are reflected in valuations for subsequent sales. HUD agrees that the current purchase discount requirements should be modified. Additional flexibility is needed for those situations that involve acquisition of foreclosed upon properties that cannot be purchased at the minimum discount of 5 percent required for individual transactions and the 15 percent minimum discount required for transactions in the aggregate. Many grantees have indicated that some real estate owned (REO) holders are unable or unwilling to sell a property at a price that reflects such a discount. Of more concern to many grantees is the potentially adverse

impact that discounted sales prices on foreclosed properties may have on other properties in the neighborhood where the foreclosures occurred. One concern is that a property sold at a discount may be used as a comparable sale for purposes of subsequent appraisals in the neighborhood where the foreclosure occurred. Since the discount has to be taken against the current market appraised value, the use of the discounted sales price as a comparable would understate the true market value of that property. Although HUD has confirmed with representatives of the appraisal industry that such sales transactions should not be used as comparables in other appraisals, no guarantee exists that appraisers would in all cases be aware that the sales price reflected a governmentally required discount. Of further concern to many grantees is the effect of section 2301(d)(3) of HERA which provides that the sale of a foreclosed upon property that was acquired with NSP assistance to an individual as a primary residence cannot be greater than the cost to acquire and rehabilitate or redevelop such property. Thus, it is possible that the purchase discount will be reflected in two sales transactions involving the same property, i.e., the sale of the foreclosed property to the grantee and the subsequent resale of the property by the grantee to an individual as a primary residence. Again, while neither of these transactions should be used as a comparable for subsequent appraisals in the neighborhood, the grantee cannot assure that the transaction(s) will be ignored for such purpose. Based on the foregoing considerations, HUD has determined that the current requirements for purchase discounts in the aggregate impair the effective implementation of HERA and should be deleted. As a result, today's publication eliminates at page 58342, second column, the 15 percent aggregate discount requirement at Section Q.1.b of the October 6, 2008, notice. However, although section 2301(d)(1) requires that a foreclosed upon home or residential property be purchased at a discount, the level of the discount is not specified. HUD has decided to reduce the minimum

individual discount requirement from 5 percent to 1 percent. HUD believes that this reduction will provide grantees with maximum flexibility to avoid the potentially adverse impact of discounts on neighborhood property values. Grantees are nonetheless encouraged to negotiate with lenders to obtain price reductions commensurate with the avoided costs of holding, marketing and selling the homes. Grantees are also encouraged to take reasonable steps to ensure disclosure of any discount/price reduction resulting from compliance with HERA or other applicable legal requirements. Such steps may include posting sales data on individual acquisitions (sales price, current market appraised value, and discount/price reduction) on the grantee's website, providing such data to multiple listing services, and including the information in the deed transferring title to the purchaser (if permitted under state or local laws or regulations). Grantees are also reminded that they can prohibit the use of NSP-funded acquisitions as comparables in the scope of work developed for appraisals procured in connection with subsequent acquisitions. Accordingly, the background and requirements for Section Q, Purchase Discount, at page 58342 of the October 6, 2008, notice are revised to read as follows:

Q. Purchase discount

Background

Section 2301(d)(1) limits the purchase price of a foreclosed home, as follows:

“Any purchase of a foreclosed upon home or residential property under this section shall be at a discount from the current market appraised value of the home or property, taking into account its current condition, and such discount shall ensure that purchasers are paying below-market value for the home or property.”

To ensure that uncertainty over the meaning of this section does not delay program

implementation, HUD is defining “current market appraised value” in this notice. In recognition of the statutory discount requirement, HUD is requiring a minimum discount of 1 percent for each residential property purchased with NSP funds. Grantees are nonetheless encouraged to negotiate with lenders to obtain price reductions commensurate with the avoided costs of holding, marketing and selling the homes.

Requirements

1. Each foreclosed-upon home or residential property shall be purchased at a discount of at least 1 percent from the current market-appraised value of the home or property.

2. An NSP grantee may not provide NSP funds to another party to finance an acquisition of tax foreclosed (or any other) properties from itself, other than to pay necessary and reasonable costs related to the appraisal and transfer of title. If NSP funds are used to pay such costs when property owned by the grantee is conveyed to a subrecipient, homebuyer, developer, or other jurisdiction, the property is NSP-assisted and subject to all program requirements, such as requirements for NSP-eligible use and benefit to income-qualified persons.

3. The address, appraised value, purchase offer amount, and discount amount of each property purchase must be documented in the grantee’s program records.

D. As noted in the discussion of the NSP purchase discount requirements, section 2301(d)(1) of HERA requires that the purchase price of a foreclosed upon home or residential property must reflect a discount from the current market appraised value of the property. The October 6, 2008, notice defined “current market appraised value” to mean the value of the property established through an appraisal made in conformity with URA appraisal requirements. HUD has

determined that compliance with URA appraisal requirements is unnecessarily burdensome if the anticipated value of the proposed acquisition is estimated at \$25,000 or less and the acquisition is voluntary. Consequently, if the grantee determines that the anticipated value of the proposed acquisition is estimated at \$25,000 or less and the acquisition is voluntary, the current market appraised value of the property may be established by a valuation of the property that is based on a review of available data and is made by a person qualified to make the valuation. The definition of “current market appraised value” on page 58331, third column, of the October 6, 2008 notice is revised to read as follows:

Current market appraised value. The current market appraised value means the value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer, or individual homebuyer; provided, however, if the anticipated value of the proposed acquisition is estimated at \$25,000 or less, the current market appraised value of the property may be established by a valuation of the property that is based on a review of available data and is made by a person the grantee determines is qualified to make the valuation.

E. The Recovery Act included several provisions concerning tenants’ rights that are applicable to acquisitions under HERA. A grantee must document its efforts to ensure that the initial successor in interest in a foreclosed upon dwelling or residential real property (typically, the initial successor in interest in property acquired through foreclosure is the lender or trustee for holders of obligations secured by mortgage liens) has provided *bona fide* tenants with the notice and other protections outlined in the Recovery Act. Grantees are cautioned that NSP funds may not be used to finance the acquisition of property from the initial successor in interest

that failed to comply with applicable requirements unless it assumes the obligations of such initial successor in interest with respect to *bona fide* tenants. Grantees who elect to assume such obligations are reminded that tenants displaced as a result of the NSP funded acquisition are entitled to the benefits outlined in 24 CFR 570.606. Section K, Acquisition and Relocation, on page 58339 of the October 6, 2008 notice is amended by adding the following requirements at the end thereof:

2. The following requirements apply to any foreclosed upon dwelling or residential real property that was acquired by the initial successor in interest pursuant to the foreclosure after February 17, 2009 and was occupied by a *bona fide* tenant at the time of foreclosure. The use of NSP funds for acquisition of such property is subject to a determination by the grantee that the initial successor in interest complied with these requirements.

a. The initial successor in interest in a foreclosed upon dwelling or residential real property shall provide a notice to vacate to any *bona fide* tenant at least 90 days before the effective date of such notice. The initial successor in interest shall assume such interest subject to the rights of any *bona fide* tenant, as of the date of such notice of foreclosure: (i) under any *bona fide* lease entered into before the notice of foreclosure to occupy the premises until the end of the remaining term of the lease, except that a successor in interest may terminate a lease effective on the date of sale of the unit to a purchaser who will occupy the unit as a primary residence, subject to the receipt by the tenant of the 90-day notice under this paragraph; or (ii) without a lease or with a lease terminable at will under State law, subject to the receipt by the tenant of the 90-day notice under this paragraph, except that nothing in this section shall affect the requirements for termination of any Federal- or State-subsidized tenancy or of any State or local law that provides longer time periods or other additional protections for tenants.

b. i. In the case of any qualified foreclosed housing in which a recipient of assistance under section 8 of the United States Housing Act of 1937 (42 U.S.C 1437f) (the “Section 8 Program”) resides at the time of foreclosure, the initial successor in interest shall be subject to the lease and to the housing assistance payments contract for the occupied unit.

ii. Vacating the property prior to sale shall not constitute good cause for termination of the tenancy unless the property is unmarketable while occupied or unless the owner or subsequent purchaser desires the unit for personal or family use.

iii. If a public housing agency is unable to make payments under the contract to the immediate successor in interest after foreclosure, due to (A) an action or inaction by the successor in interest, including the rejection of payments or the failure of the successor to maintain the unit in compliance with the Section 8 Program or (B) an inability to identify the successor, the agency may use funds that would have been used to pay the rental amount on behalf of the family—(1) to pay for utilities that are the responsibility of the owner under the lease or applicable law, after taking reasonable steps to notify the owner that it intends to make payments to a utility provider in lieu of payments to the owner, except prior notification shall not be required in any case in which the unit will be or has been rendered uninhabitable due to the termination or threat of termination of service, in which case the public housing agency shall notify the owner within a reasonable time after making such payment; or (2) for the family’s reasonable moving costs, including security deposit costs.

c. For purposes of this section, a lease or tenancy shall be considered *bona fide* only if: (i) the mortgagor under the contract is not the tenant; (ii) the lease or tenancy was the result of an arms length transaction; and (iii) the lease or tenancy requires the receipt of rent that is not substantially less than fair market rent for the property.

d. The grantee shall maintain documentation of its efforts to ensure that the initial successor in interest in a foreclosed upon dwelling or residential real property has complied with the requirements under section K.2.a. and K.2.b. If the grantee determines that the initial successor in interest in such property failed to comply with such requirements, it may not use NSP funds to finance the acquisition of such property unless it assumes the obligations of the initial successor in interest specified in section K.2.a. and K.2.b. If a grantee elects to assume such obligations, it must provide the relocation assistance required pursuant to 24 CFR 570.606 to tenants displaced as a result of an activity assisted with NSP funds and maintain records in sufficient detail to demonstrate compliance with the provisions of that section.

3. The recipient of any grant or loan made from NSP funds may not refuse to lease a dwelling unit in housing with such loan or grant to a participant under the Section 8 Program because of the status of the prospective tenant as such a participant.

4. This section shall not preempt any Federal, State or local law that provides more protections for tenants.

F. HUD has determined that HUD-approved homebuyer counseling services may not be available to all grantees. To provide for such situations, section B.3.b. on page 58334 of the October 6, 2008 notice, is revised as follows to allow a grantee to submit a request for an exception to the requirement that each NSP-assisted homebuyer must receive and complete at least 8 hours of homebuyer counseling from a HUD-approved counseling agency.

b. The grantee must require each NSP-assisted homebuyer to receive and complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan. If the grantee is unable to meet this requirement for a good cause (e.g., there are no HUD-approved housing counseling agencies within the grantee's jurisdiction,

or there are no HUD-approved housing counseling agencies within the grantee's jurisdiction that engage in homebuyer counseling), the grantee may submit a request for an exception to this requirement to the responsible HUD field office, and the HUD field office has the authority to grant an exception for good cause. The grantee must ensure that the homebuyer obtains a mortgage loan from a lender who agrees to comply with the bank regulators' guidance for non-traditional mortgages (see, Statement on Subprime Mortgage Lending issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Department of the Treasury, and National Credit Union Administration, available at <http://www.fdic.gov/regulations/laws/rules/5000-5160.html>). Grantees must design NSP programs to comply with this requirement and must document compliance in the records, for each homebuyer. Grantees are cautioned against providing or permitting homebuyers to obtain subprime mortgages for whom such mortgages are inappropriate, including homebuyers who qualify for traditional mortgage loans.

Technical Corrections

Summaries of the technical corrections made by this document follow. The Federal Register page number identifies where the language to be corrected can be found in the October 6, 2008 notice. The corrected text made by this notice follows.

A. On page 58334 under Section B.4.b., HUD inadvertently omitted to apply the alternative requirement for the minimum citizen comment period of 15 calendar days to substantial action plan amendments submitted subsequently to the initial NSP submission. The application of this alternative requirement to all substantial amendments is necessary to expedite the use of grant funds.

Correction

On page 58334, Section B., paragraph 4.b. should read as follows:

b. Each grantee must prepare and submit its annual Action Plan amendment to HUD in accordance with the consolidated plan procedures for a substantial amendment under the annual CDBG program as modified by this notice or HUD will reallocate the funds allocated for that grantee. HUD is providing alternative requirements to 42 U.S.C. 5304(a)(2) and waiving 91.105(c)(2), 91.105(k), 91.115(c)(2), and 91.115(i) to the extent necessary to allow the grantee to provide no fewer than 15 calendar days for citizen comment (rather than 30 days) for its initial NSP submission and any subsequent substantial NSP action plan amendment, and to require that, at the time of submission to HUD, each grantee post its approved action plan amendment and any subsequent NSP amendments on its official website along with a summary of citizen comments received within the 15-day comment period. After HUD processes and approves the plan amendment and both HUD and the grantee have signed the grant agreement, HUD will establish the grantee's line of credit in the amount of funds included in the Action Plan amendment, up to the allocation amount.

B. On page 58335 under Section E and the paragraph entitled "Background," HUD erroneously included a statement that an activity may meet the HERA low-and moderate-income national objective if the assisted activity, "Creates or retains jobs for persons whose household incomes are at or below 120 percent of median income (LMMI)." As a result, HUD is removing on page 58335, third column, the bulleted statement that reads: "Creates or retains jobs for persons whose household incomes are at or below 120 percent of median income (LMMI)." If an NSP Action Plan substantial amendment included an activity that addressed the HERA low-and moderate-income national objective requirement on the basis of job creation or retention and funds have not been obligated for that activity, the grantee should submit an amendment that

includes one or more new activities that comply with the NSP income eligibility requirements. If funds have already been obligated for the original activity in reliance on the October 6, 2008 notice language, the activity may be completed provided it is designed to create or retain permanent jobs and at least 51 percent of the jobs will be held by or made available to persons whose incomes are at or below 120 percent median income.

Correction

On page 58335 under Section E and the second paragraph under the section entitled “Background,” should read as follows:

Second, this provision also redefines and supersedes the definition of “low- and moderate-income,” effectively allowing households whose incomes exceed 80 percent of area median income but do not exceed 120 percent of area median income to qualify as if their incomes did not exceed the published low- and moderate-income levels of the regular CDBG program. To prevent confusion, HUD will refer to this new income group as “middle income,” and keep the regular CDBG definitions of “low-income” and “moderate income” in use. Further, HUD will characterize aggregated households whose incomes do not exceed 120 percent of median income as “low-, moderate-, and middle-income households,” abbreviated as LMMH. For the purposes of NSP only, an activity may meet the HERA low- and moderate-income national objective if the assisted activity:

- provides or improves permanent residential structures that will be occupied by a household whose income is at or below 120 percent of area median income (abbreviated as LMMH);
- serves an area in which at least 51 percent of the residents have incomes at or below 120 percent of area median income (LMMA); or

- serves a limited clientele whose incomes are at or below 120 percent of area median income (LMMC).

C. On page 58336 Section E., paragraph 2.e. under “National objectives supersession and alternative requirements,” HUD inadvertently omitted a requirement regarding the amount of grant funds to house individuals or families whose incomes do not exceed 50 percent of area median income.

Correction

On page 58336 Section E., paragraph 2.e. is added as follows:

e. Not less than 25 percent of any NSP grant shall be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income.

D. On page 58338, in the second column of the table of NSP-eligible uses and correlated eligible activities from the CDBG entitlement regulations, HUD inadvertently omitted 24 CFR 570.202 from the list of activities correlated with eligible use (E). HUD inadvertently omitted “24 CFR 570” in the citation for community based development organizations in the list of activities eligible correlated with eligible use (E). Although the October 6, 2008 notice indicated that rehabilitation may include counseling for those seeking to take part in the activity, HUD inadvertently omitted to clarify that housing counseling is an eligible activity delivery cost for any correlated eligible activity that requires an NSP-assisted homebuyer to complete homebuyer counseling pursuant to section B.3.b.

Correction

On page 58338, the table should read as follows:

NSP-Eligible Uses	Correlated Eligible Activities From the CDBG Entitlement Regulations
(A) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers	<ul style="list-style-type: none"> • As part of an activity delivery cost for an eligible activity as defined in 24 CFR 570.206. • Also, the eligible activities listed below to the extent financing mechanisms are used to carry them out.
(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties	<ul style="list-style-type: none"> • 24 CFR 570.201(a) Acquisition (b) Disposition, (i) Relocation , and (n) Direct homeownership assistance (as modified below); • 570.202 eligible rehabilitation and preservation activities for homes and other residential properties. • HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost
(C) Establish and operate land banks for homes and residential properties that have been foreclosed upon	<ul style="list-style-type: none"> • 24 CFR 570.201(a) Acquisition and (b) Disposition. • HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost
(D) Demolish blighted structures	<ul style="list-style-type: none"> • 24 CFR 570.201(d) Clearance for blighted structures only.
(E) Redevelop demolished or vacant properties	<ul style="list-style-type: none"> • 24 CFR 570.201(a) Acquisition, (b) Disposition, (c) Public facilities and improvements, (e) Public services for housing counseling, but only to the extent that counseling beneficiaries are limited to prospective purchasers or tenants of the redeveloped properties, (i) Relocation, and (n) Direct homeownership assistance (as modified below). • 24 CFR 570.202 Eligible rehabilitation and preservation activities for demolished or vacant properties. • 24 CFR 570.204 Community based development organizations. • HUD notes that any of the activities listed above may include required homebuyer counseling as an activity delivery cost

E. On page 58338 Section J, the third column, HUD incorrectly cited the legal authority in characterizing the substance of the paragraph.

Correction

On page 58338 Section J, third column, the paragraph should read as follows:

Background

Section 2301(d)(3) of HERA directs that, if an abandoned or foreclosed-upon home or residential property is purchased, redeveloped, or otherwise sold to an individual as a primary residence, then such sale shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition. (Sales and closing costs are eligible NSP redevelopment or rehabilitation costs.) Note that the maximum sales price for a property is determined by aggregating all costs of acquisition, rehabilitation, and redevelopment (including related activity delivery costs, which generally may include, among other items, costs related to the sale of the property).

F. On page 58340, first column, under Section M and the third paragraph entitled "Background", HUD inadvertently included an incorrect citation for cash management requirements governing States.

Correction

On page 58340, the third paragraph after "Background" should read as follows:

A further complication is that HERA clearly expects grantees to earn program income under this grant program. As provided under 24 CFR 85.21 for entitlements, grantees and subrecipients shall disburse program income before requesting additional cash withdrawals from the U.S. Treasury. States are governed similarly by 24 CFR 570.489(e)(3) and 31 CFR part 205. This requirement is reflected in the regulations governing use of program income by States and

units of general local government under the CDBG program. This means that a grantee that successfully and quickly deploys its program and generates program income may obligate, draw down, and expend an amount equal to its NSP allocation amount, and still have funds remaining in its line of credit.

G. On page 58347 in Attachment A to the Notice, HUD inadvertently left one grantee off the list of local governments that qualify to receive an NSP allocation and included that grantee's allocation amount in the state's allocation.

Correction

At the bottom of page 58347, the allocation amount for the State of Maryland is corrected to read: \$26,704,504. A new line is inserted below the allocation for the State of Maryland and above the line for the allocation for Prince Georges County, Maryland to read:

State	Grantee name	NSP grant amount
MD	Montgomery County	\$2,073,965

H. In Attachment A to the Notice, HUD only listed a single allocation for multiple Insular Areas, without indicating the allocated amount for each Insular Area. Also, without this correction, Insular Areas were unable to submit amendments by the Notice deadline.

Correction

HUD directly notified the Insular Areas to establish a January 15, 2009, deadline for submission of an NSP substantial amendment. At the end of Attachment A, the allocations for the Insular Areas are inserted as follows:

Insular Area	Allocation
Virgin Islands	\$579,451
Northern Marianas	\$364,162

Guam	\$100,674
American Samoa	<u>\$100,000</u>
Total	\$1,144,287

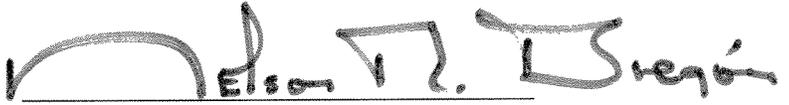
Additional Amendments

1. Environmental. A Finding of No Significant Impact (FONSI) with respect to the environment has been made for this Notice in accordance with HUD regulations at 24 CFR part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)). The FONSI is available for public inspection between 8 a.m. and 5 p.m. weekdays in the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 Seventh Street, SE, Room 10276, Washington, DC 20410-0500. Due to security measures at the HUD Headquarters building, an advance appointment to review the FONSI must be scheduled by calling the Regulations Division at (202) 708-3055 (this is not a

toll-free number).

2. Waivers of Alternative Requirements. Alternative requirements in this Notice and the October 6, 2008, Notice (73 FR 58330) may be waived in the same manner as regulatory requirements. Grantees must submit a written request to HUD. Upon a determination of good cause, the Assistant Secretary for Community Development and Planning or the General Deputy Assistant Secretary for Community Development and Planning may, subject to statutory limitations, waive any provision of this Notice. Each waiver must be in writing and must specify the grounds for approving the waiver.

Dated: JUN 11 2009


Nelson R. Bregón, General Deputy Assistant
Secretary, Office of Community Planning and
Development

[FR-5255-N-02]