



# HUD NEWS

U.S. Department of Housing and Urban Development – Shaun Donovan, Secretary

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## **OBAMA ADMINISTRATION SUPPORTS ADDITIONAL FUNDING TO STABILIZE NEIGHBORHOODS HARD-HIT BY FORECLOSURE**

*Administration to Work with Congress on Third Round of Neighborhood Stabilization Program, additional foreclosure prevention counseling dollars*

WASHINGTON - U.S. Housing and Urban Development (HUD) Secretary Shaun Donovan announced today that the Obama Administration will work with Congress to find ways to help state and local governments more effectively combat the ongoing effects of the housing crisis and home foreclosures through additional funding for the Department's **Neighborhood Stabilization Program (NSP)** and foreclosure prevention counseling. Donovan made the announcement today at a roundtable with Washington, D.C.-based reporters sponsored by the Christian Science Monitor.

The Administration also announced plans to reallocate funds awarded through NSP1 that have not yet been committed to specific projects, in order to drive more funding to hardest hit communities. HUD has already awarded nearly \$6 billion in NSP grants to help state and local governments respond to rising foreclosures and falling home values: \$4 billion funded NSP1 through the Housing and Economic Recovery Act of 2008 (HERA); and, an additional \$2 billion funded NSP2 through the American Recovery and Reinvestment Act of 2009 (Recovery Act). The initial NSP1 funds provided each state government with a "base allocation" of \$19.6 million, without regard to varying degrees of need. Eighteen months later, the Department will recapture money from communities that have not yet committed NSP1 funding, and reallocate it to city and county governments with very high foreclosure and/or vacancy rates and their jurisdiction, based on more recent data.

Additionally, the Administration plans to work with Congress on new foreclosure counseling efforts to help homeowners facing foreclosure stay in their homes. HERA provided \$150 million for housing counseling to connect homeowners with their mortgage servicer or lender to explore options that will keep them in their homes as a result of these counseling funds.

Additional funds in this area would broaden the Administration's reach in its ongoing foreclosure prevention efforts.

"Through HUD's recapture process, the Administration is working to use the resources we have already received and build on the success and lessons from NSP1 and NSP2, ideally with additional funding for a third round, to really target the recovery in hard hit areas directly," said HUD Secretary Shaun Donovan. "The recapture process would provide additional resources to areas based on their foreclosure and delinquency rates, vacancy problems and unemployment. We also want to go a step further by providing funds to help homeowners avoid foreclosure."

The Neighborhood Stabilization Program was created to address the housing crisis, create jobs, and grow local economies by providing communities with the resources to purchase and rehabilitate vacant homes. The NSP grants that HUD has awarded are helping state and local governments, as well as non-profit developers, acquire land and property; demolish or rehabilitate abandoned properties; and/or offer downpayment and closing cost assistance to low- to middle-income homebuyers. Grantees can also stabilize neighborhoods by creating "land banks" to assemble, temporarily manage, and dispose of foreclosed homes. So far, over 63,000 homes are projected to be impacted by NSP1, including acquisition, demolition, homebuyer assistance, and new construction, and over 17,000 units have been completed. For NSP2, applications were submitted for over \$15 billion worth of projects nationwide, with only \$2 billion available for funding.

"Both the reallocation of NSP1 funds and a third round through NSP3 would help to expand efforts to clear blighted properties, like those in Detroit where I visited last month," Donovan added. "Detroit is demolishing 10,000 properties over three years, with the first two years funded by NSP. A third round of funding could help complete projects like the one in Detroit."

HUD plans to explore with Congress a number of technical changes that could improve the flexibility and impact of the NSP program if a third round of funding can be secured. HUD will also work with Congress to help local grantees access more of the administrative capacity needed for effective implementation and, as part of this effort, to secure additional funds for technical assistance (TA) as well.

Local communities would design and set their own program targets, but HUD would provide options for implementation. To ensure best use of taxpayer dollars, grantees would, based on NSP1 performance, either be required to:

- Work with a subgrantee – an entity that is granted the legal obligations and authority to implement NSP on behalf of the grantee;
- Sign a Technical Assistance agreement with HUD; or,
- Work in a consortium with a high capacity lead grantee.

In order to reallocate NSP1 funding, HUD would follow guidelines set forth in HERA, which says that states and units of general local government have no more than 18 months to dedicate NSP1 funds to specific projects. The Department estimates that 70% of the \$3.9 billion in NSP1 funds would be obligated by the 18-month deadline this fall, in September and October 2010, for a recapture of approximately \$1 billion. Following a 30 day review period, funds that grantees have not yet committed to specific projects will be reallocated either to new grantees or as additional funds for first round grantees.

"HUD is committed to helping local communities recover from the blight and vacancies that have become visual symbols of difficult economic times," said Donovan. "We have much more work to do to mitigate the impacts that foreclosures have had on local communities; however, innovative collaborations between local government, housing agencies, and non-profits and creative, green-focused uses of federal funds will create jobs and put us on the path to recovery."

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*HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD is working to strengthen the housing market to bolster the economy and protect consumers; meet the need for quality affordable rental homes: utilize housing as a platform for improving quality of life; build inclusive and sustainable communities free from discrimination; and transform the way HUD does business. More information about HUD and its programs is available on the Internet at [www.hud.gov](http://www.hud.gov) and [espanol.hud.gov](http://espanol.hud.gov).*