

# National Foreclosure Prevention and Neighborhood Stabilization Task Force

## ***Proposed Legislative Fixes for the Neighborhood Stabilization Program***

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### 1. Vacant Properties and the 25% Very Low-Income Set-aside

**Issue:** Although NSP funds may be used for the purchase and redevelopment of vacant properties, HUD interprets the statute as saying that renting or selling these homes to very low-income households does not count toward the requirement that 25% of funds be spent on families with incomes below 50% of Area Median Income. HUD's strict reading of the statute is that only abandoned or foreclosed homes count toward satisfying the 25% requirement. At the same time, the most feasible way to achieve the 25% requirement in some communities is through the new construction or redevelopment of multifamily properties on vacant properties, not all of which have gone through foreclosure proceedings.

**Solution:** Allow all eligible activities to qualify for the 25% set-aside for families with incomes below 50% of Area Median Income, as shown below.

2301 (f)(3)(A)(ii) not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used ~~for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties that will be used~~ to house individuals or families whose incomes do not exceed 50 percent of area median income.

### 2. Eligible Uses

**Issue:** HUD has determined that Eligible Uses A (financing mechanisms) and C (land banks) are only applicable to foreclosed properties, not all properties that are otherwise eligible for NSP funds. This narrow application of the original statute compromises the effectiveness of the program.

**Solution:** The statute should be revised to clarify that financing mechanisms and land banks are to be used in support of the other activities eligible under NSP, as shown below.

2301 (c)(3) ELIGIBLE USES.—Amounts made available under this section may be used to—

- (A) establish financing mechanisms ~~in support of activities eligible under subparagraphs (B) through (E), 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;
- (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;
- (C) establish and operate land banks for homes and residential properties ~~in support of activities eligible under subparagraphs (B), (D), and (E) that have been foreclosed upon;~~
- (D) demolish blighted structures;
- (E) redevelop demolished or vacant properties.

*(Revised 3/3/2009)*

# **National Foreclosure Prevention and Neighborhood Stabilization Task Force**

Convened in November 2007, the National Foreclosure Prevention and Neighborhood Stabilization Task Force is a cross-industry group of local and national organizations working to address the impacts of the foreclosure crisis on communities.

The following members of the Task Force have signed-on to endorse these fixes to the NSP:

CDFI Coalition  
Citizens' Housing and Planning Association  
Cleveland Housing Network  
Colorado Coalition for the Homeless  
Columbus Housing Partnership  
Community Shelter Board  
Diamond State Community Land Trust  
Enterprise Community Partners  
Homesteading and Urban Redevelopment Corp.  
Housing Partnership Network  
Local Initiatives Support Corporation  
Low Income Investment Fund  
Massachusetts Housing Partnership  
Mercy Housing Inc.  
National Affordable Housing Trust  
National Alliance of Community Economic Development Associations  
National Community Land Trust Network  
National Community Reinvestment Coalition  
National Community Stabilization Trust  
National Housing Conference  
National NeighborWorks Association  
National Vacant Properties Campaign  
NCB Capital Impact  
New Jersey Community Capital  
New York Housing Conference, Inc.  
Price Hill Will  
Self-Help  
Stewards of Affordable Housing for the Future  
The Affordable Housing Trust for Columbus and Franklin County  
The CDC Collaborative of Greater Columbus  
The Community Builders, Inc.  
The Genesee Institute  
The Wisconsin Partnership for Housing Development, Inc.  
Volunteers of America of Greater Ohio

*(Revised 3/3/2009)*