

# **Neighborhood Stabilization Program Frequently Asked Questions**

## **What is the Neighborhood Stabilization Program?**

The Neighborhood Stabilization Program (NSP) provides State and local governments with a source of funding to help them respond to rising foreclosures and declining property values.

## **How did the Neighborhood Stabilization Program come about?**

On July 30, 2008, President Bush signed into law the Housing and Economic Recovery Act of 2008 to address the severe housing crisis. Title III of the Act appropriates \$3.92 billion of grant funds under the Neighborhood Stabilization Program for states and local governments to purchase and redevelop abandoned or foreclosed properties. The Housing and Economic Recovery Act (HERA) of 2008 directed HUD to target funding to areas with the greatest needs based on the extent of foreclosures, subprime mortgages, and mortgage delinquencies and defaults. The Federal Notice was released on September 30<sup>th</sup>. The notice provides information regarding method of allocation, program requirements, application procedures, and waivers granted.

## **How were NSP funds allocated?**

More than 250 local cities and counties received grants as well as all 50 states, including Puerto Rico and the District of Columbia, with each state receiving at least \$19.6 million. The State of Florida has been allocated \$541 million for the Neighborhood Stabilization Program (NSP), which includes \$91,141,478 being awarded to the Department of Community Affairs (DCA), under the State's Community Development Block Grant (CDBG) program, and approximately \$450 million being allocated directly to 48 local governments. For a complete breakdown of Florida's funds, please go to HUD's website:

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/states/fl.xls>

## **How is the money to be spent?**

States and local governments (NSP grantees) may use funding to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight. Eligible uses for the funds include:

- Buy foreclosed homes;
- Buy land and property;
- Demolish or rehabilitate abandoned properties;
- Offer downpayment and closing cost assistance to low- to moderate-income homebuyers

In addition, 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 does the State and local communities have to spend this money?**

Congress was very clear that there is an urgency to deal with a national housing crisis and has provided under the Act that the funds be put to work quickly. Grantees have 18 months to obligate these funds, and four years to spend them. In some areas, this level of federal funding will be unprecedented, so HUD will help these communities implement their programs.

### **What will happen if grantees don't obligate their funds within 18 months?**

HUD will recapture the funds and return the money to the taxpayers.

### **What does DCA have to do to comply with HUD's NSP guidelines?**

In order to receive the grant allocation, DCA must develop and publish a substantial amendment to their action plan and put it on the agency's internet site for 15 calendar days. Citizens must have equal access to the information. The amendment must be submitted to HUD for approval no later than December 1, 2008. DCA will utilize several methods to solicit input about the development of the Action Plan amendment and ensure that citizen participation requirements are met.

### **How will the Department be solicited public input?**

The Department will be working closely with stakeholders and partners to develop the action plan amendment. The Department will host a Stakeholder Input Meeting on October 8, 2008 in Tallahassee, as well as a Public Hearing in the near future. In addition, the Department will provide additional web-based opportunities for comments and input to be shared.

### **Will this be like the CDBG Disaster Recovery Program?**

No. The Federal Register Notice emphasizes that the authority for this funding is “substantially and significantly more limited from that generally provided with disaster recovery CDBG supplemental appropriations”. Therefore HUD will have very little authority to waive any requirements.