

NSP Termination Act H.R.861

Bill Provisions. The Neighborhood Stabilization Program (NSP) received 3 rounds of federal funding. NSP1 was authorized and initially funded in the Housing and Economic Recovery Act (HERA), NSP2 was funded in the American Recovery and Reinvestment Act (ARRA), and NSP3 was funded in the Dodd-Frank Consumer Protection and Wall Street Reform Act (Dodd-Frank). The bill addresses all 3 rounds of funding. Section 2 of the bill would rescind and cancel all unobligated balances for NSP3. Section 3 would repeal the NSP language in HERA and, with respect to NSP1 and NSP2 funds made available, such funds are governed by NSP requirements in effect before repeal. Section 3 also terminates NSP1 and NSP2 upon the liquidation of obligated amounts. The bill was amended at mark-up to require that not later than five days after enactment, HUD publish on its website the statement that NSP has been terminated and if there is concern about the impact and/or a need for assistance in mitigating the impacts of this termination, to contact one's Member of Congress, state, county and local officials.

Program. NSP was established to help stabilize communities that have suffered from foreclosures and abandonment through the purchase and redevelopment of foreclosed and abandoned homes and residential properties. NSP grants provide critical assistance to state and local governments and non-profit developers that collaborate to acquire foreclosed or abandoned property; to demolish or rehabilitate acquired or blighted properties; and/or to establish financing mechanisms such as down-payment and closing cost assistance to low- to middle-income homebuyers. Grantees can also create land banks to assemble, temporarily manage, and dispose of foreclosed homes. NSP grantees must use at least 25% of the funds appropriated to house individuals or families whose incomes do not exceed 50% of the area median income. In addition, all activities funded by NSP must benefit low- and moderate-income persons whose income does not exceed 120% of the area median income.

Funding Allocations. HERA provided \$3.92 billion in NSP1 grant funds to all states and selected local governments on a formula basis. ARRA provided an additional \$2 billion in NSP2 funds to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis and for technical assistance. Dodd-Frank provides \$1 billion in grants to all states and selected local governments on a formula basis. All NSP1 and NSP2 allocations to grantees have been fully obligated by HUD. In September 2010, HUD announced formula allocations for NSP3 and subsequently established a deadline of March 1, 2011 for submission of action plans describing the uses of NSP3 funds. HUD is in the process of reviewing these plans and expects to obligate all NSP3 funds allocated to states and local governments by March 31, 2011.

Impact. NSP funds help to redevelop hard-hit communities, create jobs, and grow local economies. From the total NSP appropriation of \$7 billion, HUD estimates that 100,000 properties in the hardest-hit areas will be impacted. This number of properties makes up almost 20% of the real estate owned (REO) properties over the last 18 months in NSP-targeted areas. Grantees report that more than 36,000 properties are either under construction or rehab, a third of the overall estimate. Moreover, HUD estimates that NSP will support 93,000 jobs nationwide.

As of December 2010, NSP1 grantees have produced more than 5,300 households in rehabilitated or newly constructed units and more than 6,000 households have received direct homeownership assistance to acquire formerly foreclosed or abandoned properties. In addition, more than 9,700 blighted properties have been demolished or cleared with NSP1 funds. NSP2 grantees project serving 11,000 households through rehabilitation and new construction and more than 5,200 households through direct homeownership support, and about 3,800 blighted properties cleared. HUD estimates that at least 6,000 households will benefit from NSP3 through purchase/rehabilitation of foreclosed or abandoned residential property or new construction on redeveloped lots; and about 3,000 households will benefit from direct homeownership assistance.

Oversight. HUD has conducted extensive oversight of the NSP program and grantees. Such oversight includes monitoring, risk assessment, and auditing NSP grantees as well as providing training and technical assistance to address grantee capacity issues. To date, HUD's OIG has completed 42 NSP compliance audits. Although the OIG found accounting discrepancies and inaccurate and incomplete reporting by some NSP1 grantees, several OIG audits found that grantees generally complied with NSP1 requirements. A June 2010 OIG audit of the NSP2 competition (HUD OIG Audit Report 2010-AT-0001) found that HUD properly evaluated the applications and selected the grantees for NSP2 funding.

In December 2010, GAO completed a HERA-mandated report on NSP1 (GAO-11-48) that examined HUD's implementation of NSP1, grantee actions in meeting key NSP1 requirements, actions HUD has taken to mitigate program risks and ensure grantee compliance, and HUD's efforts to collect and assess program data. GAO concluded that HUD established internal control procedures to mitigate risks and promote compliance with program requirements and that for NSP1 grantees contacted by GAO, they generally showed compliance with program requirements. GAO did find some financial management deficiencies by these grantees, which HUD is requiring that the grantees correct. GAO also found that data on program outputs could be improved and HUD is working to make those improvements.

Support. Given the impact of NSP funding through out the country, over 50 organizations have expressed their strong opposition to [H.R.861](#) and support for continued funding of the program.

These national, state, local organizations include: the National Association of Counties; National League of Cities; U.S. Conference of Mayors; National Community Development Association; National Association for County Community and Economic Development; Council of State Community Development Agencies; Enterprise Community Partners, Inc.; Association for Neighborhood and Housing Development; Arizona Foreclosure Prevention Task Force; Atlanta Neighborhood Development Partnership, Inc.; Center for Community Progress; Center for New York City Neighborhoods; Citizens' Housing and Planning Association; City of Chicago Department of Housing and Economic Development; City of Newark; Columbus Housing Partnership; Council of State Community Development Agencies; Cypress Hills Local Development Corporation; Detroit Office of Foreclosure Prevention and Response; Diamond State Community Land Trust; Enterprise Community Partners; Habitat for Humanity International; Healthy Neighborhoods, Inc.; HousingWorks RI; Greater Rochester Housing Partnership; Local Initiatives Support Corporation; Louisiana Housing Alliance; Massachusetts Housing Partnership; Mercy Housing; National Association of Housing and Redevelopment Officials; National Community Land Trust Network; National Community Reinvestment Coalition; National Community Stabilization Trust; National Council of State Housing Agencies; National Housing Conference; National Housing Institute, National Law Center on Homelessness & Poverty, National NeighborWorks Association, Neighborhood Housing Services of Phoenix, Inc; Neighborhood Housing Services of South Florida; New York Mortgage Coalition; Northfield Community LDC of Staten Island, Inc.; Omni New York, LLC.; PolicyLink; Rebuilding Together; Restoring Urban Neighborhoods, LLC; RISE, America!; Smart Growth America; St. Ambrose Housing Aid Center; Stewards for Affordable Housing for the Future; The Community Builders, Inc.; The Housing Partnership Network; The Wisconsin Partnership for Housing Development, Inc.; and Urban Housing Solutions, Inc..