

H.R. 3221 – The Housing and Economic Recovery Act of 2008

Overview of the \$3.9 Billion in CDBG Assistance to State and Local Governments

Title III: Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes

- Provides \$3.97 billion in CDBG funds to States and local governments for the redevelopment of abandoned and foreclosed homes
- The allocation will be based on a formula determined by HUD. HUD must establish the formula within 60 days of enactment of the legislation.
- The bill sets forth the following criteria for HUD to use in devising the formula.
 - (1) the number and percentage of home foreclosures in each State or unit of general local government;
 - (2) the number and percentage of homes financed by a subprime mortgage-related loan in each State or unit of general local government; and
 - (3) the number and percentage of homes in default or delinquency in each State or unit of general local government.
- HUD must allocate the funds within 30 days of development of the formula (90 days after enactment of the bill).
- The funds can be used for the following activities.
 - purchase and rehabilitation of foreclosed homes to sell, rent, or redevelop;
 - the establishment of land banks for foreclosed homes;
 - demolition of blighted structures;
 - redevelopment of demolished or vacant properties
- States and local governments must target the funds to those areas (1) with the greatest percentage of home foreclosures; (2) with the highest percentage of homes financed by a subprime mortgage-related loan; and (3) identified as likely to face a significant rise in the rate of home foreclosures.
- States and local governments must use the funds within 18 months after receipt of the allocation from HUD.
- The CDBG regulations will govern the administration of the funds.

- The funds must assist households at up to 120 percent of area median with at least 25% of the funds assisting households at no more than 50 percent of area median income
- Funds cannot be used to assist a project that seeks to use the power of eminent domain unless it is for a public use, identified as an economic development that primarily benefits private entities