



**FROM:** NCDA STAFF

**DATE:** September 30, 2010

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**FY11 Appropriations Update; Congress Approves Continuing Resolution**

Although Congress got off to a good start earlier in the year in its effort to move the FY11 spending bills, progress was halted when congressional members returned to their districts for the August recess. Many congressional members are up for re-election in November and most are facing tough races, leaving little time to focus on congressional business and more time for campaigning. Because of the lack of time to complete the FY11 spending bills, Congress approved a Continuing Resolution (CR) yesterday, September 29.

The Senate passed the continuing resolution by a vote of 69-30. The resolution keeps the federal government operating at FY 2010 spending levels through December 3. The House cleared the measure late last evening. The CR contains a provision that would extend the current FHA loan limits for high cost areas through FY 2011 and extend the GSE loan limits for high cost areas through FY 2011.

Prior to passing the CR, Senate Democrats beat back two GOP amendments. One by Senator John Thune (R-SD) was intended to force a 5 percent spending cut below 2010 levels. It failed 48-51; 60 votes were needed for adoption. The other amendment, by Senator Jim DeMint (R-SC), would have extended the CR through February 4, 2011, preventing Democrats from passing an omnibus spending bill in the lame duck session. The amendment failed, 39-60.

The CR gives Democrats time to complete an omnibus spending bill and finish a tax extender bill after the November elections. Besides providing tax cuts to the middle class, the tax extender bill would also extend the Low-Income Housing Tax Credit (LIHTC) exchange program (whereby housing finance agencies can exchange credit allocations for cash with the Department of Treasury, to develop low-income housing projects) through 2010, the Gulf Opportunity Zone (GO Zone) LIHTC placed in service deadline through 2012, the New Markets Tax Credit through 2010, and provide initial funding for the National Housing Trust Fund.

## **HUD NEWS**

### **HUD Announces National First Look Program**

On September 1, HUD announced the creation of the National First Look Program. HUD is currently in the process of developing the program. The program will offer state and local governments, and non-profit organizations participating in the Neighborhood Stabilization Program a first right of refusal to purchase properties before they are offered on the open market. The program is a collaboration between HUD, Freddie Mac, Fannie Mae, FHA, and financial institutions representing nearly 75% of all real-estate owned properties. The program was created to give NSP grantees an edge in competing with private investors for properties. NSP grantees will be notified immediately when a property becomes available and will have 24-28 hours to express interest in pursuing a property and up to two weeks to make an offer to the lender. The properties will be offered at a discount to NSP grantees.

### **NSP3 Allocations Released**

On September 8, HUD released the third round of funding under the Neighborhood Stabilization Program (NSP3). The funding was approved as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The nearly one billion in funding was allocated to 280 states and local governments. NCUA is awaiting the release of the NSP3 notice (which is due out any day, according to HUD) before it sends a letter to Congress urging more funding be provided directly to local governments. We would like to review the formula factors and weighting analysis.

Part of the reason more jurisdictions did not receive direct funding is due to the minimum state allocation. The Senate would not approve funding for the program without this language. Furthermore, the less than one billion available for distribution left little room for allocation to a wide swath of communities.

### NSP3 Overview

- Eliminates the 18-month expenditure requirement
- Funds will be available until expended
- Distributes funds based on the NSP1 formula
- Minimum grant threshold for direct allocation is \$1 million
- Each state will receive a minimum allocation of 0.5% of total funds
- Requires grantees to establish procedures to create preferences for the development of

affordable rental housing

- Allows HUD to use up to 2% of the funds for technical assistance funds to grantees
- Requires that, to the maximum extent feasible, grantees hire and benefit employees and small businesses from the local area

### **Continuum of Care Notice Released**

On September 20, the Department of Housing and Urban Development (HUD), announced the availability of nearly \$1.7 billion in FY10 continuum of care funds. The application deadline is November 18. HUD will announce awards in two phases with renewal applications announced prior to the announcement of new project awards.

### Changes for 2010

The Homeless Emergency Assistance and Rapid Transition to Housing Act (HEARTH Act), signed by President Obama on May 20, 2009, codified the Continuum of Care (CoC) process and made several new, permanent changes to the program, such as:

- Applicants may only request one year of SHP renewal funding.
- The NOFA provides for a permanent housing bonus. The bonus amount will be 15 percent of a CoCs preliminary pro rata need – or \$6 million, whichever is less. These funds will be targeted to homeless disabled individuals and families and chronically homeless individuals. CoCs are encouraged to use at least a portion of available bonus funds to create a project that will serve disabled homeless veterans.
- HUD will assess, as part of the project review process, applicant eligibility, capacity and quality. This review will also consider an applicant's spending history on current homeless assistance grants. HUD expects that grantees should be making draw-downs at least quarterly. Additionally, HUD expects timely reimbursement by grantees of project sponsors. HUD will be looking at this for both new project applications and as a condition of renewal awards.
- The definition for chronically homeless person has been expanded to include families with atleast one adult member who has a disabling condition. Chronically homeless families and individuals are also a priority group for bonus funding in the competition.
- CoCs will be required to demonstrate collaboration with local schools to assist in the identification of homeless families as well as informing the families and homeless youth of their eligibility for McKinney-Vento education services.
- Project applicants will be required to demonstrate that they are considering the educational needs of children when families are placed in emergency or transitional shelter and to the maximum extent practicable, place families with children as close as possible to their school of origin.

- Awards process
  - Expedited announcements for renewal projects (60 days after competition closes)
  - Winter 2011 – Grant agreements for renewal awards to be issued
  - Spring 2011 – Conditional awards for new projects announced; grant agreements issued
- To achieve greater geographic diversity, HUD will give added selection priority to projects located in rural areas. HUD may award up to \$30 million to projects in qualified areas to achieve this geographic diversity.

To view the HUD webcast on the notice, go to:

<http://portal.hud.gov/portal/page/portal/HUD/press/multimedia/videos>

### **CDBG-R Progress Update**

According to HUD's Office of Block Grant Assistance, as of September 7, nearly 42% of CDBG-R funds have been drawn down program wide. Nationwide, 193 grantees are 100% drawn down; 311 grantees are 90% or more drawn down; 201 grantees have drawn down less than 10% of their funds, with 83 grantees having drawn down \$0 funds.

### **CDBG-R and NSP2 Quarterly Reporting Draws Near**

The following information is provided by HUD's Office of Block Grant Assistance.

- October 1-10 (only 6 business days to report): Grantees and subrecipients report in [FederalReporting.gov](http://FederalReporting.gov)
- October 7: Deadline to report environmental data into RAMPs for this quarter
- October 15: HUD submits quarterly report on the status and progress of funded activities to the Council of Environmental Quality, using RAMPS data
- October 11-13: Grantees review data submitted by sub-recipients; grantees and sub-recipients revise data; HUD has "view only" access to data
- October 14-29: HUD data review and comment period for data entered by grantees and sub-recipients
- October 30: Recovery Act Transparency Board posts as-reported data to [Recovery.gov](http://Recovery.gov)
- November 2-December 13: System re-opens to make error corrections to reports that were created from July 1-October 10. HUD comments on grantee reports; grantees review sub-recipients' reports; prime recipients and sub-recipients correct reports

### Jobs Reporting

According to HUD, some grantees have job errors that have repeated for more than two reporting

cycles. Because of this, HUD will place greater scrutiny on those reports that have made the exact same errors two or three reports in a row. HUD has issued a revised Jobs Calculator as an optional aid to help grantees reports jobs accurately. This new calculator is consistent with OMB's December 18, 2009 revised job counting guidance and has been approved for use by OMB. The Job Calculator is posted at <http://portal.hud.gov/portal/page/portal/HUD/recovery/reporting/Community%20Development%20Block%20Grants%20-%20Recovery%20Reporting>

According to HUD, the FederalReporting.gov job counting methodology is significantly different from the computation of jobs to demonstrate Low/Mod Jobs national objective compliance. The number of jobs reported as created/retained in FederalReporting.gov may bear no relationship to the number of jobs reported in IDIS for national objectives purposes. HUD is asking grantees to review its January 6 webcast on the CDBG-R recipient reporting, which includes a discussion of the revised job counting methodology. The webcast (with particular emphasis to slides 18-26, which focus on examples of job counting) are available at <http://www.hud.gov.gov/webcasts/archives/recoveryact.cfm>

#### Minimizing Reporting Errors

According to HUD, the most common – and most avoidable – errors are:

- submitting duplicate reports (or failing to deactivate an erroneous report upon submitting a corrected report)
- entering an invalid award type (incorrectly reporting as a contractor rather than a grantee)
- entering an invalid award ID (entering something other than your grant number or mistyping the grant number)
- entering an invalid award amount
- incorrectly computing or entering job creation/retention data
- entering an award date other than the one on your grant agreement
- entering an incorrect DUNS number
- entering the wrong Catalog of Federal Domestic Assistance (CFDA) number, Treasury Accounting Symbol (TAS) number, or Awarding Agency Code number
- checking “yes” on the Final Report Indicator even though all activities are not completed and all funds have not yet been drawn down

#### **HUD's Inspector General Resigns**

Kenneth M. Donohue, HUD's Inspector General, will officially resign from his post in October. HUD's Office of Inspector General (OIG), led by Mr. Donohue, has wreaked havoc on grantees over the last few years by focusing on intensive on-site monitoring of CDBG and HOME grantees. New England has been especially targeted.

During the 2010 NCDA Annual Conference, participants asked HUD staff to urge the OIG to stop posting preliminary reports from audit visits on the its website. Oftentimes these reports contain incorrect and damaging information on the jurisdiction's administration of its CPD grants of which the findings are later corrected by the OIG in a final report, but not posted to the

website. NCDA's Executive Director also spoke directly with Ron Sims, Deputy Secretary of HUD, on the matter at the 2010 NCDA Annual Conference.

Donohue was nominated and confirmed in March 2002. He is leaving the HUD OIG to join the private sector.

## **OTHER FEDERAL NEWS**

### **Subrecipient Reporting**

The Office of Management and Budget (OMB) held a Town Hall meeting, via webinar, last week on subrecipient reporting requirements in the Federal Funding Accountability and Transparency Act (FFATA). The webinar is available for review at <http://www.usapending.gov>

### **GAO Report on CDBG**

On September 9, the U.S. General Accountability Office (GAO) released a report on the award distribution system of CDBG grantees. The report was conducted at the request of Rep. Maxine Waters (D-CA), Chairperson of the House Subcommittee on Housing and Community Opportunity. The report looked at the various methods by which CDBG grantees distribute funds to individual projects and HUD's role in overseeing these methods. GAO interviewed the 10 largest CDBG entitlement jurisdictions, randomly selected another 10, interviewed 5 states, looked at the annual action plans for all 50 states, and interviewed HUD staff in 17 field offices.

#### Findings:

- HUD staff in the 17 field offices reported very few findings related to methods of distribution.
- Grantees used a variety of methods to distribute CDBG funds, including competition and by formula.
- Distribution processes were based on various assessments of local needs.
- Funding decisions were part of the local budget process in some communities.
- All communities held at least two public hearings to notify the public of the availability of funds and the awards process; others also formed citizen advisory committees and conducted needs assessments.

For a copy of the report, go to <http://www.gao.gov/products/GAO-10-1011>

### **Federal Housing Finance Agency Establishes New Housing Goals for Fannie Mae and Freddie Mac**

On September 2, the Federal Housing Finance Agency (FHFA), the agency tasked with overseeing the government-sponsored enterprises, Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, issue a final rule on the 2010-2011 annual housing goals for Freddie and Fannie.

As part of the Housing and Economic Recovery Act (HERA), Congress directed FHFA to

develop a set of targeted annual goals for the two enterprises. In previous years, HUD has been tasked with establishing overall single-family and multi-family housing goals for the entities. The new goals reflect the need for Freddie and Fannie to focus on core business activities to support the mortgage market while minimizing losses on their existing mortgages.

#### 2010-2011 Goals

##### Single-Family Home Purchase

- low-income families
- very-low income families
- families living in geographic areas with lower-income populations, areas of high concentrations of minority residents, and federally-declared disaster areas

##### Single-Family Home Refinance

- low-income families

##### Benchmarks for these goals:

- 27% for the low-income home purchase goal
- 8% for the very low-income family home purchase goal
- a percentage to be set annually by FHFA for the low-income/high minority/disaster areas home purchase goal
- 21% for the low-income family refinance goal

##### Multifamily

- Fannie Mae's goal is to acquire mortgages that finance at least 177,750 low-income rental units and 42,750 very low-income rental units
- Freddie Mac's goal is to acquire mortgages that finance at least 161,230 low-income rental units and 21,000 very low-income rental units
- Both must also report on their acquisition of mortgages involving low-income units in small (5-50 unit) multifamily properties

Over the years, HUD forced increasing affordable housing goals on Freddie and Fannie. These mandated affordable housing goals increased to the point that by 2004, 50% of their business was required to be below median income levels; this number increased to 57% by 2008. These increased goals caused the enterprises' portfolios to be consumed with low-income mortgages, some of which were tainted by poor underwriting standards from the originating lender. The new, less restrictive affordable housing goals are intended to keep Fannie and Freddie on a better financial footing for the future.

## **NCDA NEWS**

### **NCDA and Other National Groups Send Letter to Congress Urging Quick Allocation of CPD Funds**

NCDA along with several other national interest groups sent a letter to congressional

appropriators asking them to include language in the final FY11 HUD spending bill requiring HUD to notify CDBG, HOME, and other CPD grantees of their formula allocations not later than 60 days after the date of enactment. The letter states, "Long delays between the enactment of annual appropriations bills and HUD's announcement of CPD formula allocations have created difficulties for state and local governments. These delays have complicated local planning processes and slowed important projects that are critical to the efforts of states, counties, and cities to revitalize local economies and expand the availability of affordable housing." It took 105 days for HUD to post the FY10 allocations, from the time Congress approved the FY10 HUD spending bill, the longest time ever for release of the allocations. Normally, HUD has released the allocations with a month of bill enactment.

### **Upcoming Section 3 Meeting with HUD**

NCDA will meet with HUD's Office of Fair Housing and Equal Opportunity on October 20 on Section 3 compliance. NCDA will discuss the following issues with HUD.

- Standardized, practical education/training of field office staff, grantees, and contractors on Section 3
- Development of standardized forms, checklists and procedures including sample forms and instructions for businesses to document Section 3
- "Hold harmless" stance for grantees for previous practices.

If you have other issues regarding Section 3 that you would like for NCDA to discuss during the meeting, please e-mail your comments to [vicki@ncdaonline.org](mailto:vicki@ncdaonline.org)

### **2011 Audrey Nelson Award Applications**

NCDA is accepting nominations from its member communities for the 2011 Audrey Nelson Awards. The application is available on NCDA's website at <http://www.ncdaonline.org>. The award recognizes exemplary uses of CDBG funds to address the needs of families and neighborhoods. The deadline for applications is November 17, 2010. Award recipients will be recognized during the 2011 Winter Conference in Washington, DC.

### **2011 NCDA Winter Conference**

The 2011 NCDA Winter Conference will be held at The Washington Court Hotel in Washington, DC on January 19-21, 2011. The Winter Conference is the perfect opportunity to learn about upcoming policy and budgetary issues and hear directly from HUD staff on program updates. The conference fee is \$400 for members and \$450 for non-members. Registration must be paid by check (NCDA is not set-up to accept credit cards) and must be made payable to NCDA. A \$100 cancellation applies to registrants who cancel after **January 3, 2011**.

NCDA has reserved a block of rooms at the special rate of \$174.00, plus tax at The Washington Court Hotel, located at 525 New Jersey Avenue, NW, Washington, DC (very close to Capitol Hill). The cut-off date for making your hotel reservations is **December 27, 2010**. Reservations received after this date will be subject to availability and based on the rate offered by the hotel.

To make your hotel reservation, call (202) 628-2100 or (800) 321-3010. Be sure to mention NCDA to receive the special hotel rate. Please go to <http://www.ncdaonline.org> to view the agenda and complete the registration form.

**Upcoming Training and Conferences**

- HOME Basics Training  
October 4-6  
Providence, RI  
<http://www.ncdaonline.org/home.asp>
  
- Advanced CD Training  
November 16-17  
Knoxville, TN  
<http://www.ncdaonline.org/cdbg.asp>
  
- Region IV Annual Conference  
November 17-19  
Knoxville, TN  
<http://www.ncdaonline.org/regionalevents.asp>
  
- CDBG Basics Training  
December 6-8, 2010  
Austin, TX  
<http://www.ncdaonline.org/cdbg.asp>
  
- NCDA Winter Conference  
January 19-21, 2011  
Washington, DC  
<http://www.ncdaonline.org>
  
- NCDA 2011 Annual Conference  
June 2011  
Cincinnati, OH

## U.S. Department of Housing and Urban Development Budget Chart

Program	FY10 Enacted Level	FY11 President's Proposed Funding Level	FY11 House Appropriations Level	FY11 Senate Appropriations Level
Community Development Fund	\$4.450 billion	\$4.380 billion	\$4.352 billion	\$4.450 billion
<i>Set-Asides:</i>				
Sustainable Communities Initiative	[\$150 million]	[\$150 million]	[\$150 million]	[\$150 million]
Catalytic Investment Competition	[\$0]	[\$150 million]	[\$0]	[\$0]
Native American Block Grant	[\$65 million]	[\$65 million]	[\$65 million]	[\$65 million]
University Community Fund	[\$25 million]	[\$25 million]	[\$25 million]	[\$25 million]
EDI Grants	[\$172.8 million]	[\$0]	[\$77.145 million]	[\$173 million]
Neighborhood Initiatives	[\$22 million]	[\$0]	[\$12.2 million]	[\$22 million]
Rural Innovation Fund	[\$25 million]	[\$0]	[\$25 million]	[\$25 million]
<i>Total Set-Asides</i>	<i>[\$265 million]</i>	<i>[\$390 million]</i>	<i>[\$354.4 million]</i>	<i>[\$460 million]</i>
<b>Formula Grants</b>	<b>\$3.990 billion</b>	<b>\$3.990 billion</b>	<b>\$3.997 billion</b>	<b>\$3.990 billion</b>
Section 108 Loan Guarantees	\$275 million	\$500 million	\$427 million	\$275 million
Brownfields	\$17.5 million	\$0	\$17.5 million	\$0
HOME Program	\$1.825 billion	\$1.650 billion	\$1.825 billion	\$1.825 billion
<i>Set-Asides:</i>				
Technical Assistance	[\$0]	[\$3 million]	[\$0]	[\$0]
<b>Formula Grants</b>	<b>\$1.825 billion</b>	<b>\$1.647 billion</b>	<b>\$1.825 billion</b>	<b>\$1.825 billion</b>
Homeless Programs	\$1.865 billion	\$2.055 billion	\$2.2 billion	\$2.055 billion
Housing Counseling	\$87.5 million	\$88 million	\$88 million	\$100 million
Lead Hazard Control	\$140 million	\$140 million	\$140 million	\$140 million
Self-Help and Assisted Homeownership Program (SHOP)	\$82 million	\$0	\$82 million	\$82 million
Section 202 for the Elderly	\$825 million	\$274 million	\$825 million	\$825 million
Section 811 for the Disabled	\$300 million	\$90 million	\$300 million	\$200 million
HOPWA	\$335 million	\$340 million	\$350 million	\$340 million

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<b>Program</b>	<b>FY10 Enacted Level</b>	<b>FY11 President's Proposed Funding Level</b>	<b>FY11 House Appropriations Level</b>	<b>FY11 Senate Appropriations Level</b>
Fair Housing	\$72 million	\$61 million	\$72 million	\$72 million
Section 8 TBRA	\$16.3 billion	\$19.5 billion	\$19.396 billion	\$19.396 billion
Section 8 Project-Based Assistance	\$8.3 billion	\$9.376 billion	\$9.382 billion	\$9.4 billion
Public Housing Capital	\$2.5 billion	\$2 .044 billion	\$2.5 billion	\$2.5 billion
Public Housing Operating	\$4.775 billion	\$4.829 billion	\$4.829 billion	\$4.8 billion
HOPE VI	\$135 million	\$0^	\$200 million	\$0^
Choice Neighborhoods	\$65 million	\$250 million	\$0	\$250 million
Energy Innovation Fund	\$100 million	\$0	\$0	\$0
Native American Housing Block Grant	\$700 million	\$578 million	\$700 million	\$700 million
Native Hawaiian Housing Block Grant	\$13 million	\$10 million	\$10 million	\$10 million
Indian Housing Loan Guarantees	\$7 million	\$9 million	\$9 million	\$9 million
Native Hawaiian Loan Guarantees	\$1 million	\$0	\$1 million	\$1 million

^HOPE VI replaced by the Choice Neighborhoods Initiative

\*HUD programs are operating at FY 10 funding levels through December 3, 2010.