

Foreclosed Properties Aid to States and Cities – Summary of Federal Proposals

	Approved by Senate (H.R. 3221 -Dodd-Shelby – 4/10/2008)	Approved by House Financial Services Committee (H.R. 5818 - 4/23/2008)
Funding	\$3.92 billion	\$15 billion
Grants	\$3.92 billion	\$7.5 billion
Loans	-0-	\$7.5 billion
Administering Agency	HUD	HUD
Funding Source	“Funds to be treated as if CDBG” – no local match required	No reference to CDBG
Grantees	-All States - Units of Local Government	“Allocation Recipients” (entities eligible to for funding if they submit a plan to HUD and HUD approves): - All States (§3), - “Qualified Metropolitan Cities” (is one of the 100 most populous cities in U.S (2000 Census) OR has a minimum population of 50,000 and a foreclosure more than 25% above rate for the entire state) - “Qualified Urban Counties” (50 most populous urban counties in U.S. per 2000 Census) – calculated excluding Qualified Metro Cities unless city opts to be part of County allocation.
Distribution Formula for States	HUD to devise based on number and percentage of: - “home foreclosures” in each state or unit of local government - homes financed with subprime loans and - homes in default or delinquency	HUD to distribute funds to States based on their share of national total (in states with approved plans) of : - the number of “foreclosures on mortgages for single family housing” and - the number of subprime single family home mortgages that are >90 days delinquent using the most recent 12 months for which info available. • The distribution will be adjusted for differences in state median home price EXCEPT that the home price adjustment can’t exceed 25% of what State would receive without the adjustment.
State allocation to Qualified Cities and Urban Counties	Not applicable – funding is distributed by HUD	States must allocate a portion of their funds to qualified cities and urban counties based on the city/county share of State’s single family foreclosures and delinquent subprime loans (as above), but reallocation is <i>optional</i> if the amount city or county would receive is less than \$10 million. • States have the option of adjusting the allocations based on area median home prices.
Distribution timetable	HUD must • devise funding distribution formula within 60 days of bill enactment and • distribute funds within 30 days of formula	No specific language on HUD funding distribution deadlines. Specifies that allocation recipients must submit plan to HUD within 30 days of bill enactment and that HUD has 15 days to approve/disapprove.
Spending Timetables	Localities must use funds within 18 months after receiving from HUD	Allocation recipients must • start obligating funds within 120 days of plan approval • obligate all grant amounts and commit all loan funds within 180 days of plan approval, and • outlay all funds within 2 years of plan approval (loan repayments can recycle up to 4 years from date of bill enactment) • HUD can extend all of the above deadlines (except recycling) by up to 5 months • HUD must recapture any grant and loan funds not used within the time frames established below and reallocate among all other States using the same formula as before

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Planning Requirements	None	<p>Allocation recipients must submit plan to HUD within 30 days of bill enactment (HUD to prescribe form) after public hearing and after Governor (or chief executive officer of qualified city or urban county) approves. HUD has 15 days to review and approve. No funds will be distributed until plan approved. Plan must</p> <ul style="list-style-type: none"> • Designate a state, city or county HFA or other entity as administrator of their program • describe activities allocation recipient plans to implement, • tell how program will restore/ improve neighborhoods and facilitate repayment of loans • give priority “emphasis and consideration” to areas having greatest needs, including those with greatest percentage of home foreclosures, highest percentage subprime home mortgages over 90 days delinquent, or likely to face a significant rise in home foreclosure rates • prioritize allocation of funds to low-mod neighborhoods with high concentrations of foreclosures • give priority for funding to acquisition of older foreclosed properties (i.e. foreclosed or acquired by lender, etc at least 60 days prior), • provide a preference for activities that serve: <ul style="list-style-type: none"> ○ lowest income households for the longest period of time and ○ homeowners whose mortgages have been foreclosed • assure won’t result in net loss of rental housing • describe any preferences for first responders, vets, nurses serving underserved areas or homeless persons (consistent with State 10 year plan to end homelessness), teachers, persons employed by the city or locality in which the housing is located
Required priority	Grantees must give priority to areas with greatest needs (highest % of home foreclosures, homes with subprime mortgages, and identified as likely to face a significant rise in the rate of home foreclosures	<p>Plan must:</p> <ul style="list-style-type: none"> • prioritize allocation to low-mod communities with high concentrations of foreclosures • give preference to activities serving <ul style="list-style-type: none"> • lowest income families for longest period of time • homeowners whose mortgages have been foreclosed (subject to 140%/100% AMI limits below) <p>States funding to assist rural areas must be proportionate to their share of identified statewide need</p>
Types of Properties that can be assisted	<p>Abandoned or foreclosed upon homes and residential properties</p> <p>All purchases must be below current market appraised value</p>	<p>1-4u single family housing not occupied by owner and multifamily properties of up to 64 units, owned by lender, government or other entity due to foreclosure or assignment of mortgage.</p> <p>Purchase price can’t exceed 110% of average purchase price for SF housing in area as determined by HUD or, for multifamily housing, the price can’t exceed current FHA Section 207 Multifamily insurance limits.</p>
Loan Administration/ Terms	Not applicable	<p>Allocation recipients will be responsible for disbursing loan funds, collecting repayments and monitoring loan activities pursuant to a loan agreement with HUD.</p> <p>Terms: Loans shall be 0% interest, non-amortizing and non-recourse, with a term of</p> <ul style="list-style-type: none"> • 3 years for properties to be resold as homeowner

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		properties or <ul style="list-style-type: none"> • 5 years for properties purchased for rental use.
Loans: Eligible Activities	Not applicable	Loans can be used for: <ul style="list-style-type: none"> • Purchase of “qualified foreclosed housing” by state, local government unit, nonprofit or for-profit entities. • Rehab if necessary to meet code and resold to extent possible within 3 months of acquisition • Properties can be resold or used as rental, lease-purchase or lease-to-own housing. • No additional loans can be made to an entity unless it has repaid 90% of all previous loans except HUD can waive this if it finds borrower has capacity to use additional loan funds and has made satisfactory process using existing loans
Eligible Grant Activities	<ul style="list-style-type: none"> • Financing mechanisms for purchase/redevelopment of foreclosed residential properties (e.g. soft-second, loan loss reserves, shared-equity loans for LMI homebuyers. • Purchase and rehab abandoned or foreclosed properties for rent or resale • Land-banking of foreclosed homes • Demolition of blighted properties 	Grant funds can be used only for : <ul style="list-style-type: none"> • operating, holding, • rehab costs (capped at 20% of total grant funds); energy efficiency improvements and provision of renewable energy sources are eligible rehab activity • demolition of deteriorated unsafe housing • incidental acquisition costs (e.g. closing costs) • planning and admin costs (see below)
Planning and Admin Costs		Allocation recipients can use grant funds in an amount equal to up to 8% of their loan and grant allocations for administrative costs and up to 2% for planning costs.
Renter Protections		Bona fide tenants in acquired properties <ul style="list-style-type: none"> • have a right to remain until the earlier of 6 months from the date of the notice of foreclosure or the end of lease term (if lease began before the foreclosure notice date) • tenants being asked to vacate must be given at least 90 days notice, including tenants at will or without a lease Tenants are not bona fide if they are also the mortgagor, if the lease was not arms-length or the rent is substantially below the fair market rent
Section 8 Protections		New owners of assisted properties <ul style="list-style-type: none"> • can’t discriminate against S8 voucher holders • must continue S8 contract of previous owner • can’t evict S8 tenants unless property is “unmarketable” as occupied or intend units for personal /family use. Act does not pre-empt any stronger state/local laws.
Servicer Contact		Servicers must notify local government upon becoming responsible for a “qualified foreclosed property” (see definitions) and provide name of person authorized to negotiate purchases, along with 24 hour contact information.
Resale Restrictions	Resales to homebuyer owners can’t exceed price to acquire/rehab	Silent except states that any rehab should be done with goal of resale as close to acquisition price as possible
Revolving Fund	Any profits from sale, rental or other activities under this act received in the first 5 years after bill enactment shall be kept/reused by the State or local government for eligible activities	Loan repayments can be re-lent for 4 years from date of bill enactment.
CDBG requirements	HUD can modify CDBG requirements for this program except fair housing,	Not applicable

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	labor standard and environmental requirements – must notify Senate Banking and House Financial Services Committees 10 days in advance of exercise of this authority	
Income targeting – Upper Limit	No funds can assisted individuals and families with incomes above 120% AMI	Upper Limit: 140% AMI for buyers 100% AMI for renters
VLI/ELI Targeting	Minimum 25% of funds must be used to purchase/ redevelop abandoned or foreclosed residential properties that will be used to house individuals or families with incomes at or below 50% of AMI	<ul style="list-style-type: none"> • 50% of <u>grant</u> spending must relate to providing housing for VLI households (of that, at least half for ELI households) • HUD can waive the 50% VLI requirement/set lower percentage if state/city has used all available resources and can't meet and waiver won't result in net loss of housing affordable to ELI households . Waiver must consider needs of ELI households. (§8(d)(3))
Long term use restrictions	HUD shall try to ensure by rule or order “to the maximum extent practicable and for the longest feasible term” that properties assisted under this program remain affordable at the income levels above	No requirement
Federal Government Profit-sharing	All profits (revenues in excess of acquisition/rehab cost) from sale or rental of foreclosed/abandoned properties received 5 or more years after the date of bill enactment must go back to the U.S. Treasury unless Secretary approves local request to use for purposes of this Act. Localities do not have to share profits related to financing mechanisms, landbanking and demolition.	Upon sale or disposition of properties acquired with assistance under this act, for-profit owners must give federal government 50% of any difference between the sale price and acquisition cost plus capital improvements if for-profit; all others must give 20%. No time limit
State reporting requirements		States must report to HUD not later than a year after plan approved, including numbers and addresses of properties assisted and incomes of households buying or renting these properties.
Counseling Grants	Bill also authorizes \$180 million increase in funding the Neighborhood Reinvestment Corporation for redistribution to housing counseling agencies for foreclosure assistance (including \$30 million for them to use to hire attorneys to provide legal assistance)	House is recommending \$200 million in a separate bill.

4/28/2008

