

NSP3
Summary of the Third Round of the Neighborhood Stabilization Program
Dodd-Frank Wall Street Reform and Consumer Protection Act
H.R. 4173

On June 30, 2010 the House of Representatives passed the conference report of the Dodd-Frank Wall Street Reform and Consumer Protection Act (H.R. 4173). The Senate is expected to pass the bill in mid-July 2010. The bill aims to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end "too big to fail", to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and other purposes.

Included in the bill is an additional \$1 billion for a third round of the Neighborhood Stabilization Program (NSP3). The Neighborhood Stabilization Program provides emergency assistance to states and local governments to acquire and redevelop foreclosed, vacant, and abandoned properties that have become blights on the community and are driving down neighboring property values.

Neighborhood Stabilization Program 3 (NSP3)

Provides the Secretary of HUD \$1 billion to be used in accordance with the NSP2 provisions of the American Recovery and Reinvestment Act of 2009, but for the following changes:

- Funds will be available until expended.
- Eliminates the 18-month expenditure requirement of NSP1.
- Distributes funds based on the formula allocation of the Housing and Economic Recovery Act of 2008.
- Requires that the formula be established within 30 days of enactment.
- Retains the requirement that each state receive at least 0.5% of total funds.
- Establishes a minimum grant size of \$1 million for cities and counties receiving funds.
- Expands the definition of "state" to include the District of Columbia.
- Requires states and local governments to establish procedures to create preferences for the development of affordable rental housing.
- Permits the Secretary to use up to 2% of funds for technical assistance to grantees, and TA funds shall be available until September 30, 2013.
- Prohibits the funding of organizations that have been convicted for a violation under Federal law relating to an election for Federal office.
- Requires that, to the maximum extent feasible, grantees hire and benefit employees and small businesses from the area.

Additional Amendments:

Included in H.R. 4173 were two important amendments to Section 2301 of the Housing and Economic Recovery Act of 2008 (the statute that initially established NSP):

- A legislative fix that permits redevelopment or rehabilitation of vacant properties to qualify for the 25% low-income set aside requirement (previously only abandoned or foreclosed homes counted toward the 25% low-income set aside). This change will be immediate and will apply to any unexpended or unobligated funds for NSP1 and NSP2.
- Definition of "Notice of Foreclosure" as the date on which complete title to a property is transferred to a successor entity or person as a result of an order of a court or pursuant to provision in a mortgage, deed of trust, or security deed.