



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5447-N-02]

Notice of Formula Allocations and Program Requirements for Neighborhood Stabilization Programs 1 and 3 (NSP1 and NSP3) Formula Grants; Amendment

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Notice of allocation method, waivers granted, alternative requirements applied, and statutory program requirements; amendment.

SUMMARY: On October 19, 2010, HUD published a notice regarding formulation allocations made under two NSP grant (formula grant) programs – NSP1 and NSP3. This document makes changes to the notice to allow NSP1 and require NSP3 grantees to use an updated foreclosure needs map and associated needs index score in selecting geographic target areas.

DATES: Effective Date: **[insert date of publication in the Federal Register]**.

FOR FURTHER INFORMATION CONTACT: Stanley Gimont, Director, Office of Block Grant Assistance, Office of Community Planning and Development, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 7286, Washington, DC 20410, telephone number 202-708-3587. Persons with hearing or speech impairments may access this number via TTY by calling the Federal Relay Service at 800-877-8339. FAX inquiries may be sent to Mr. Gimont at 202-401-2044. (Except for the "800" number, these telephone numbers are not toll-free.)

SUPPLEMENTARY INFORMATION:

Background

On October 19, 2010, at 75 FR 64322, HUD published in the Federal Register a notice pertaining to both NSP1 and NSP3 (referred to as the Unified Notice), which advised the public

of the allocation formula and allocation amounts, the list of grantees, alternative requirements, and the waivers of regulations granted to grantees under Section 2301(b) of the Housing and Economic Recovery Act of 2008 (Pub. L. 110-289, approved July 30, 2008) (HERA), as amended, and an additional allocation of funds provided under Section 1497 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Pub. L. 111-203, approved July 21, 2010) (Dodd-Frank Act) for the purpose of assisting in the redevelopment of abandoned and foreclosed homes. Except where provided for otherwise, these amounts are distributed based on funding formulas for such amounts established by the Secretary in accordance with HERA.

HUD's notice pertaining to NSP1, published in the Federal Register on October 6, 2008, at 73 FR 58330, gave NSP1 grantees the flexibility to carry out activities in area(s) of greatest need as defined by the grantee. The notice asked grantees to describe in the NSP1 substantial amendment to the Annual Action Plan how the funds would be distributed to meet the requirements of Section 2301(c)(2) of HERA. At the time of publication of the NSP1 notice, HUD was not able to provide national data on home foreclosures to assist grantees in selecting NSP1 target areas. However, HUD encouraged NSP1 grantees to use publicly available data, if such data covered their communities, and to use the nationwide data by neighborhood when HUD launched the needs mapping tool in June 2009.

HUD's Unified Notice requires NSP3 grantees to carry out activities in a HUD-approved target area. HUD developed a foreclosure needs map website to assist grantees in selecting target areas that meet the criteria for NSP3 funding. NSP1 grantees were encouraged to use the website as they adjusted their plans. The foreclosure needs map provides foreclosure-related needs scores based on grantee-selected target geography. A grantee uses the tool to draw the outline of a targeted neighborhood. When the grantee saves its selection, the tool produces a

report that indicates whether the selected area meets the NSP3 criteria. The data that produces the needs scores is now dated and in many cases the data no longer reflects the effects of foreclosures on the housing markets in NSP1 or NSP3 target areas.

Updated Foreclosure Data for Use by NSP1 and NSP3 Grantees

HUD has updated this data and it is now available for use by NSP1 and NSP3 grantees. The data combines foreclosures, pre-foreclosures, real-estate-owned, and vacant property transactions from March 2011 through September 2012.

For NSP1 Grantees: The updated data is available to NSP1 grantees for use in determining and designating areas of greatest need.

For NSP3 Grantees: From the effective date of this notice published in today's edition of the Federal Register, all NSP3 grantees must begin using the updated foreclosure needs map website when amending their currently approved target areas. NSP3 grantees may continue to work in target areas approved by HUD prior to the effective date of this Notice, but any amendments made to select new NSP3 target areas from the effective date of this Notice must qualify based on information from the new maps and data.

Amendment to Unified Notice

Paragraph II. B.2.a.ii of HUD's Unified Notice, at 75 FR 64327, pertaining to contents of the NSP Action Plan, and, with respect to subparagraph ii, pertaining to the neighborhood or neighborhoods identified by the NSP3 grantee as being the areas of greatest need, is revised by adding the following undesignated paragraph:

Effective for any target area change after **[insert effective date of this notice]**, the individual or average combined index score for all new target areas in the grantee's geography must be not less than the lesser of 17 or the 20th

percentile most needy score in an individual state. The scores for target areas approved prior to **insert effective date of this notice** will not be included in the average combined index score for the new target areas and grantees may continue to use NSP3 funds in those prior approved target areas.

Dated: May 10, 2013

Mark Johnston
Deputy Assistant Secretary for Special Needs

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