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Moderator: Marsha Tonkovich
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Operator: Good day and welcome to the Grantee Peer to Peer Good Practices conference call. If you would like to ask a question on today's call, please press star 1 on your telephone keypad at any time. As a reminder, today's conference is being recorded.

At this time, I would like to turn the conference over to Marsha Tonkovich. Please go ahead, ma'am.

Marsha Tonkovich: Thank you. So good afternoon everybody on this snow week Thursday. I hope everybody is safe and sound.

We've had a lot of snowstorms all up and down the East so I'm personally calling to you guys from a hotel room in Syracuse. Where I got diverted from Orlando last night. So I'm glad ((inaudible)).

This is Marsha from ICF. And I think many of you I've met on the webinars before or in at the clinics or doing the TA, so glad to be here with you. Let me introduce Hunter who is from HUD. Hunter you want to just say a word about yourself?

Hunter Kurtz: Hi. This is Hunter Kurtz. I'm with the NSP Team here. And we're looking forward to this sort of unique webinar that we're doing and hopefully it's very beneficial for everybody.

Marsha Tonkovich: Perfect and Hunter or do you know if any of the other HUD folks are on yet?

Hunter Kurtz: I have not heard them enter yet. I don't know if David and Jesse are out there. But hopefully we'll be joined a little later by David Noguera and Jessie Handforth Kome.

Marsha Tonkovich: Great and so if you guys if you're on just chime in and let us know. So let me let everybody know how this session is going to work. It is a unique session.

Again as we've done on the other webinars, if you have a question you'll go ahead and you'll go up to where it says Feedback on the top right-hand corner of your screen. And you'll see right now that your dot is green.

When you're ready to ask a question please turn your dot to purple. That will let us know that there's a - what the volume of questions is.

But to actually get in the queue you're going to do star 1 on your phone. That will put you in the phone queue and we'll take the questions in the order they're received.

If somebody else asks your question so you've already had it answered and you want to get out of the queue then go ahead and press star 2 and that will take you out of the queue and turn your dot back to green. So that way we'll be able to keep a track of how many folks are waiting to ask questions.

You can also email in your question or write in your question. If you go to the top right-hand corner of your screen you'll see a section that says Q&A.

And in that you can send a question in. And our team will be keeping a track of those and sharing them with the folks who are on the call.

So what we're going to do for this call -- and I will introduce you to our panelists in just a moment here -- is have each of our panelists who have exceptional NSP 1 or NSP 2 or both programs, they're going to give you some ideas.

We've kind of picked out some key things about each of their programs that we thought were particularly useful for other grantees and really good for information sharing.

And they're going to give you a quick overview of their program and of those exceptional things we picked out, each one probably for only about five minutes.

Then when they are done we're going to open up the phone lines and allow you to ask questions of these, your peers as well as of the TA providers who are on the call. And I'll introduce those folks in just a moment. And we'll have an open dialogue until about 4 o'clock.

So that's our plan for today. Please, you know, feel free to ask these folks questions. There - and you'll see they're - they've graciously shared their email addresses with you for later as well because the intent is to get information sharing across grantees.

That's our plan for today. In addition to the grantee presenters that you see -- and I'll introduce them -- we also have on the call two TA providers as well, Peter Werwath and Stu Hershey. They've both been out doing a lot of NSPTA all across the country. And so they can share as well when we get to the open part of the - open mic part of the session their experience with you.

So our panelists for today from other grantees are Kate from Wisconsin. And we'll have to do an overview in just a moment of her own program.

Steven is from Montgomery County Maryland. Douglas from LA City in California. Brandy from Cincinnati, Geoffrey from Sacramento, Beth from Denver, and Anne Cheney from Kentucky.

And you'll see that we had a diversity of experience, a diversity of types, smaller cities, bigger cities, states, counties. We wanted to give you a variety of experiences.

So with that I'm going to go ahead and turn it over to the folks from Wisconsin to give us an overview of what they learned through their program.

Kate Blood: Hi. This is Kate Blood and I want to say thank you for inviting us to be able to talk about our program and what's worked for our program and our sub grantees.

As you can see from the slide we were awarded just about $39 million for NSP1 and will be receiving about $5 million for NSP3.

Our NSP1 funds were awarded to 31 sub grantees. They were awarded to municipalities, cap agencies and nonprofits across the state including our housing finance authority WEDA.

We distributed the funds across all five of the activities so over 70% went into the B activity resale and rental.

Since obviously we have finished obligating all those funds about 38.4% did go towards the under 50% AMI.

And what we're looking for in the future as these units are turned over is we anticipate somewhere about $15 million to $20 million in program income for reuse for NSP eligible activities.

A little bit about what has worked for us. And I think first and foremost the success of our program has been that we've had great sub grantees.

So if there's any sub grantees from Wisconsin please stand up right now and take a bow. They've done a great job. They were really the boots on the ground and the people who have achieved the goals that we set out to achieve.

What we did was there was a very careful screening process for the sub grantees. They obviously had to have very high need neighborhoods and enough demand to support the housing activities that they wanted to do.

We also looked very carefully at their capacity to carry out this program because it does have a very ambitious timetable and sometimes very challenging regulations.

One of the set of tools that we used with our grantees that I think worked particularly well for us was a recognition that our sub grantees had that the market in their areas tended to be very volatile.

The market was changing. The demographics were changing. And we tried to support our sub grantees expertise in the local markets by allowing changes within their contract to support those changing demands.

What we found was that by the time people were actually ready to go out and start using their NSP funds, several months had passed since they had put in the applications describing what it was they wanted to do.

And because again this is a very fast moving market right now and has been for the last couple of years what they had initially proposed in their applications and was in their contract was not always what was feasible when they actually got out ready to do their program.

So what some people found was that if they had put resale in maybe due to a spike in unemployment they found that rental or land banking was a more effective strategy.

So what we allowed people to do was to come in requesting a change in their contract, not usually changing the census tract because we really felt it was very important to be able to concentrate the efforts within the service areas that they had initially specified. But we did allow them to change their activities. And to that end we created about 80 individual contract amendments for our sub grantees.

So there has been quite a bit of movement but we felt that that was appropriate given what was happening in the markets.

The other thing that we did was we have used two strategies to keep our feet and our grantees, sub grantee's feet to the fire.

And we gave them something to run towards and something to run from. There are the carrot and the stick.

And the carrot was we held back about $2 million from our initial allocation and held that as an incentive fund.

And what we did was we made that available with a second tier funding cycle during the initial NSP one grant time.

And so about midway through we made that available. People had to come in and apply for it. And it was specifically designed and the criteria was such that you had to be a high performer in order to be able to access that.

The stick was recapture. We had in the contract that if a sub grantee had not achieved certain goals in each of the quarter that we would be able to pull back funds.

And most often what happened was that this was a negotiated recapture. Typically it was not - the reason that the sub grantee was not able to achieve their goals was usually circumstances beyond their control.

And so typically we did not have any kind of hostile recaptures. But what would happen was I would talk to them, we would decide whether or not they'd be able to catch up to where they were supposed to be.

If they weren't then I would go ahead and pull those funds back and then re-allocate them. And so I pulled funds back from about 10% of the sub grantees -- about $4.5 million.

And lastly we try to provide as much technical assistance and support to our sub grantees as possible.

We try and return phone calls quickly, provide technical assistance, and monitoring visits and we try and sponsor webinars on related topics about every three months. So that's pretty much what we have found has worked well for our program.

Marsha Tonkovich: That's great. Thanks for that. And we'll come back and I'm sure people - I've already seen some questions are coming in so we'll come back to you with questions.

So keeping this rolling so we can get to the question portion of our session I'm going to move on to the folks from Montgomery County and ask that you guys give us a presentation on your program.

Stevens Brown: Sure. Hi. This is Stevens Brown. I'm with Montgomery County Maryland. And we had a comparatively small amount of NSP, a total of about $6.3 million. There are about 1 million folks here in the county.

That money we received $2.1 million as a direct entitlement and we receive the other $4.2 from the state of Maryland in a two-phase approach similar to the one just described.

We use day we used our NSP moneys for a scattered site rentals. And the way that we did it was we have a very high cost housing market here and a pronounced shortage of affordable rentals for very low income families, particularly large families.

So with these funds we purchased and renovated 23 scattered site vacant foreclosed homes. And our average acquisition cost because it is a high market was about $265,000. And we did comprehensive rehab that averaged about $39,000. So our turnkey cost was about $304,000.

We were fortunate enough to partner with two entities one being the state of Maryland that provided some of the NSP money and also Montgomery County's PHA, the Housing Opportunities Commission.

That proved to be an excellent partnership because HOC already has capacity and staff that do acquisition, rental, income eligibility, and verification as well as the technical property inspections and minor and major rehab.

So we had a lot of folks online that had experience with CDBG and all of the regulatory components Davis Bacon section 3 and so on.

We also were fortunate in that they were conversant with the regulatory compliance components for acquisition costs.

And they also knew the neighborhoods that we were working in very specific areas such as the concentration of rental units, what that transportation access was.

And we addressed our 25 and set aside by structuring our programs so that actually 100% of our beneficiaries are at or below 50% of AMI.

We limited our activities to two selected zip codes with eligible census tracts to achieve a concentrated neighborhood impact.

We also had identified two of these areas previously as neighborhood focus areas which we determined by doing an evaluation of foreclosure events, farms participation, and police activity reports in a number of areas in the county.

And we also took into consideration the concentration of rental properties and did on-site evaluations of those neighborhoods.

So in those two ZIP code areas we provided HOC with deep subsidies through long term interest free loans with a four-year control period.

And we implemented these through an MOU, the loan agreements, and regulatory agreements that were recorded in the land records.

We were able to achieve affordable title search and settlement costs through using a single competitively selected attorney.

The properties were selected by a team of folks from HOC. And the criteria were of course they had to be foreclosed and vacant for at least 90 days to avoid URA complexities. And they had to be purchased at the required discount.

But we also, HOC folks and we combined also considered the general value of the property and the current appraisal.

We targeted the most deteriorated properties and we took a look at kind of where they fit in the neighborhoods. We had folks from our housing code enforcement also go out to those neighborhoods and make recommendations initially about ones that we perhaps should be particularly interested in.

For rehab our goal was to create long term affordable rental units that were energy efficient and as maintenance free as we could do.

So we did a fairly comprehensive rehab approach which included re-doing pretty much all bathrooms and kitchens. And also we did - all units we did a blower door test on and brought them up to Energy star by air sealing and insulation, door and window replacements where necessary.

And we replaced most appliances. Many HVAC systems, water heaters, and all of the toilets we put in were water saver and so on.

We had checks and balances in our scope of work determination. HOC sent out their technical folks.

They did an initial evaluation and worked up an in-house estimate which we used for determining whether or not to make offers on properties. This was followed by our rehab/code enforcement folks who went out and in collaboration with HOC generated the final scope of work which was submitted to the contractors.

And we in addition to the rehab work I've mentioned we also did some limited paving and landscaping and exterior issues where they were indicated with the eye of having the homes look to be the best in the neighborhood rather than ideally if we were able to acquire the right ones the worst.

We similarly had joint inspections on all the properties and on all of the draws. So what we've ended up with is 100% of these units will be occupied by less than 50% AMI eligible tenants. And we have an annual recertification and monitoring procedure in place.

Marsha Tonkovich: Terrific. I think again, I see a lot of questions coming up from other attendees so that's great. So let me keep going so we can get to those questions. Thank you very much and moving on now to LA if you guys could give us an overview of your program.

Doug Swoger: Okay good afternoon everybody. My name is Doug Swoger and I work with the city of Los Angeles. I want to thank ICF and HUD for inviting us to participate in this.

So as you can see on the slide city of Los Angeles has received a great deal of NSP money -- just over $142 million.

And to get a perspective on our problem out here we’re at this point since 2007 we've had just over 50,000 foreclosures in the city.

And the practices that, you know, one of the programs that we set up that we were asked to talk about was this establishment of a new nonprofit in the city specifically for the purpose of implementing the NSP.

And so we initiated that of course under NSP1. We worked with Enterprise Community Partners. They provided some seed funding to set up a new nonprofit that we call Restore Neighborhoods LA.

And they've been established as - they’re a 501(c)(3) nonprofit organization. The kind of a property holding and disposition company is their role.

So we've set them up as a sub recipient for the NSP program and also as a community based development organization.

And their role is essentially to acquire foreclosed properties in our NSP areas. They work with, you know, local contractors throughout the city to rehabilitate the single-family homes and they’ll sell them to low and moderate income homebuyers.

And then they also purchase multifamily properties. And with those they work with other mission driven agencies in the city so that they've done, you know, requests for qualification process, had other affordable housing providers respond to them.

And they work with them to rehabilitate and then transfer ownership of those properties to these other groups that will own and manage them as affordable rental housing. And that's one of the ways in which we're meeting the LH 25 requirements.

And so, you know, I would say well to date they purchased 182 units in the city. They were the primary way in which we implemented NSP1.

NSP 2 they remain one of the primary ways we're implementing the program. We've also sort of expanded with the NSP 2 because, you know, there's so much money to spend in the time frames.

And, you know, we've established kind of a bulk purchasing thing. They aren't LA even though they look at these things; they look at properties 200 and 300 at a time.

Up until now the purchases and a lot of this is through the Neighborhood Community Stabilization Trust, still the purchases are, you know, they close them one at a time.

The trust hasn't implemented a means by which we can close in bulk although we are making progress I think with Fannie Mae to close several properties in bulk.

And right now they're - I think RNLA's working on approximately 30 properties that they're looking at that we might be able to close at one given time if we choose to acquire them.

I would say, you know, with respect to challenges in this technique it, you know, it did require seed funding from an outside organization to set up a nonprofit.

And, you know, NSP since that is the only thing they work on it as their only source of revenue we allocated significant amount of the admin money to them of course.

And - but because HUD we found out quickly that we can't front the money to them to operate on. So they operate on a reimbursement basis.

And so we've had to provide them loans with other nonfederal funds to allow them to operate the organization and then we've reimbursed them with the NSP for the NSP eligible costs.

On the, you know, the good side of it the positive aspects of it we've worked extremely close with them because they grew out of, you know, the Neighborhood Stabilization Program. It's their role. They understand the program. We've sort of grown into this together. And so the close working relationship I think is really the positive aspect of it.

Marsha Tonkovich: Excellent all right perfect. Let's go onto our next presenter be Cincinnati Ohio.

Brandy McQueary: Good afternoon. This is Brandy McQueary from the City of Cincinnati. Thank you both to HUD and ICF for our invitation today.

I am here with my colleague Shannon Johnson and Bill Johnson. As you can see from this slide the City of Cincinnati is an entitlement grantee for both NSP1 and NSP3.

The city is additionally a member of the Cincinnati Hamilton County NSP 2 Consortium. So across the three programs the city has roughly $20 million in NSP funds.

We're working in ten of the city 52 neighborhoods and we work with both local nonprofit and for profit developers.

In general the city has three overarching stabilization activities. We work on single-family acquisition rehab resale for homeownership. We have an affordable housing project. And we have a demolition and hazard abatement program.

Very briefly I just want to highlight four key components that have allowed the city's NSP program to move forward -- our green rehab, our hazard abatement and demolition program, comprehensive policies and procedures, and effective communication and outreach.

In terms of green rehabilitation, our partners CDCs have embraced the enterprise green building standards and single-family construction.

Our NSP rental projects will be at Lead Silver certified. And the city is working with Hamilton County to more fully incorporate green and energy efficiency practices into our rehab standards.

In regards to our hazard abatement and demolition projects the NSP program is housed within the Department of Community Development.

Hazard abatement and demolition activities under the NSP umbrella have allowed the Housing Division to work with our Property Maintenance and Code Enforcement Division. Our interdivisional cooperation has proved imperative to the program's implementation.

This project provided funds to demolish blighted structures, condemned buildings across ten city neighbors - neighborhoods were demolished after standard code enforcement activities have been exhausted.

Our Property Maintenance Code Enforcement Division holds monthly public nuisance hearings connected to determine if abandoned buildings are such a nuisance that they should be demolished by the city. Right now we’re on pace to exceed our original NSP demolition estimates.

Speaking in - about our policies and procedures taking time up front to develop comprehensive internal policies and procedures has really proved to be an asset to our implementation.

Beyond the actual policy and procedure manual staff have worked very hard to develop guidance for our partner organization both for the for-profit and nonprofit developers specifically materials outlining NSP requirements and eligible uses, specific due diligence guidance in regards to acquisition, lead, procurements, timelines, checklists, et cetera.

This is really saved a lot of time in working through the process that they had everything up front. Of course this had to be changed a little but in general that they were on board from the very beginning.

In regards to effective communication and outreach it's been necessary for the city to take time to communicate and develop relationships both in regards to programmatic implementation and professional development and best practices.

We communicate regularly with our local field office. We work with NDC and ICF. And the city has developed as a valuable relationship with Hamilton County also an NSP grantee.

And with the county we've really work through a lot of issues over the past two years with thoughtful discussion.

In regards to our actual implementation with the developers staff stay in constant contact with our CDCs and everyone has made sure that they understand timelines and regulations up front.

There's no hesitation to speak up when there's a success. Equally when there's a problem we speak up early and often.

Marsha Tonkovich: Great thanks you guys. That's just great. And we will certainly come back with some questions I'm sure about the green rehab.

I know the code enforcement approach you guys took was real innovative so we may ask you some more questions about that. Okay let's move on to Sacramento.

Geoffrey Ross: Hi. This is Geoffrey Ross and I'm from the Sacramento Housing and Redevelopment Agency. And we are part of both the city and the county. And so were kind of unique in that manner.

I'd like to thank ICF and HUD for the opportunity to talk about our program today. As HRA's approach the stabilizing our target neighborhoods as part of a larger comprehensive strategy to create homeownership opportunities and quality rental housing.

Our NSP efforts were designed to complement ongoing public and private initiatives within the target neighborhoods leveraging local redevelopment and housing strategies that address multiple facets of community stabilization and revitalization including some capital and community infrastructure improvements economic development and housing.

The focus on home ownership as part of our NSP was critical for the long term sustainability of our target neighborhoods which had traditionally suffered from over concentration of investor owned housing.

With a focus on home ownership we had a look at how we could incentivize families to move into our target areas.

And one way was to provide competitively priced high quality housing with as few strings attached as possible.

Based on the current incomes and sales prices all homes purchased in the NSP target areas are affordable to families at or below moderate income.

And based on HUD's definition of natural affordability as CFR 92.254 we determined that all the homes sold in the target areas are able to be presumed naturally affordable based on a market analysis. And as such our long term regulatory restrictions are not required for home ownership units.

We have tracked the national affordability and the NSP target areas for the past three years and our records show that the target areas are only becoming increasingly affordable as time goes on.

Also in establishing our NSP we also needed to make strategic investments in rehabilitation of long term affordable rental housing in some of our targeted neighborhoods.

The neighborhoods we targeted shared many of the same characteristics to include some high concentration of individually owned four-plex housing units.

They suffer from extreme physical blight, heightened code and police activity, and inadequate management by absentee landlords.

To me both the HUD goals for green development and to make the units attractive and more affordable in terms of reduced maintenance and replacement costs over time we developed a rehabilitation standard that comprehensively addressed all facets of design construction and sustainability.

Our standard incorporated selected portions of the Build It Green Pointed Rated Existing Home Checklist as well as applicable incentive programs from our local utility districts with a particular emphasis in three areas which were energy efficiency, indoor environmental quality and durability.

We entered into an MOU with our local utility district for the purpose of providing HERS 2 energy ratings and audits for NSP rehabilitation projects with funding coming from the state of California Energy Commission's, California Comprehensive Building Retrofit program.

The energy audits analyzed the pre-rehabilitation environments as compared to the post rehabilitation environments to quantify the potential energy savings.

The audit program provides an opportunity for us to measure the energy impact to homes that will benefit the homeowners in the long term.

To implement all the various facets of our program we developed three subprograms of the first of which we call the Vacant Property Program.

Our second one we called the Property Recycling Program and the third one was a block acquisition and rehabilitation strategy.

The Vacant Property Program was modeled after some very successful single-family rehab programs that we had in effect prior to the foreclosure crisis.

And it was specifically designed to partner with local contractors and developers who would apply and to us and be accepted based on their qualifications.

Upon acceptance they were authorized to begin purchasing eligible properties using their own funds and present the scope of work for the rehabilitation of which we would then review and approve.

Upon approval of the scope we would provide a rehabilitation loan using the NSP funds. And upon completion of the sale to an eligible homeowner we would provide a developer fee.

It's important to note here that this is - it was the responsibility of the builder and the developer to market the units.

It's something that we knew that they were better suited at than what we were to do that type of marketing so we kind of tried to get out the way in that respect.

The vacant property program was launched back in March 2009 and to date we have 20 locally based development partners actively participating in the program.

And they've so far undertaken 130 properties and we have successfully sold 95 of those properties. The program has been able to leverage an additional $11 million of private financing and we've created 62 new jobs and retain 608 jobs so far.

Much like the Vacant Property Program our Property Recycling Program focuses on stabilization through homeownership.

But instead of our development partners buying the properties it's SHRA that is going in and acquiring the properties.

We went through an extensive request for qualifications process and we formalized relationships with both large developers who we call our volume builders as well as some community based nonprofits.

And they're responsible for the rehabilitation and sale of the homes that we acquire. We disposed the properties to our partners and the properties are rehabilitated based on our construction standards.

The volume builder provides financing for the rehabilitation and we provide a developer fee upon completion and sales to the property.

And once again it's our partners that are responsible for the marketing and the successful sale to eligible homebuyers.

We initially launched this program back in February 2009 and to date we've got 42 properties actively in the program.

We've been able to sell three properties to date with an additional four currently pending sale. We leveraged close to another $1 million of private financing and we retained 80 jobs under this program.

One of the key to our success is that we’ve really come to rely on our relationship with the community - Neighborhood Community Stabilization Trust and we've been working as part of their First Look Program since June of 2009.

And that relationship has really proved vital for us to be able to out maneuver absentee investors that we find to be our primary competition in our target areas.

The third sub program was developed to take on various - very specific streets within our target areas. We actually targeted three specific streets and we provided about $8-1/2 million in NSP funds to partner with the development organization as well as the Public Housing Authority.

And we've been able to leverage an additional $10.3 million of other funds including private financing to acquire 32 four-plex units which comprised about 128 units.

And we're about ready to finish our first block that is underway. And that's going to comprise about 52 units when it's all said and done.

The block program was really designed to provide a multifamily rental component to our NSP and also to meet the 25% at 50% AMI requirements.

It allowed us to tackle some of the very worst neighborhoods that we have that both were impacted by the foreclosure crisis and have other issues impacting them.

And it also gave us an opportunity to unify the property ownership and the property management in these areas and to provide some high quality safe long term affordable housing to very low income residents. So that's it for me.

Marsha Tonkovich: Terrific thank you. All right let's move on to our next panelist so I believe we have Denver next.

Beth Truby: Hi. I'm Beth Truby. I'm with the city of Denver. And as you can see from the slide we received a little over $6 million in NSP1. We also received about $3.6 million from the state.

So with one we got about $9.6 million altogether. And with that allocation to date we purchased a little over 100 housing units with those NSP1 funds.

Now that includes about 65 single-family homes and also one 36 unit apartment complex that was purchased and is being rehabbed now. And all those units are 50% units.

About 30 almost half of those single-family homes that have been purchased have been resold to date.

Now certainly NSP1 focused mainly on single-family homes while recognizing that that 50% set aside would likely be met through multifamily rental and then some habitat homes.

But with - when the NSP 2 opportunity came along we really wanted to have a strategy that might set us apart but also fit in some local opportunities that we had in our market.

A couple of years ago voters in the Denver metro area past what's called Fast Track and this is a light rail system that's going to ultimately include multiple lines throughout the whole metropolitan area.

But of course as the center city Denver is the hub and all the lines start or go through Denver for the most part.

And some - there’s a couple lines that are already existing and then the earliest planned lines of the Fast Track expansion all are in Denver.

So in conjunction with our - we've got a lot of strong local partners and enterprise is a big help on this. We worked to develop a strategy that would mainly focus on these multifamily opportunities or looking for multifamily opportunities along these light rail corridors that were existing or underway at that time.

So we selected 12 neighborhoods to focus on and we developed an NSP 2 application where we asked for $19 million. So really it was double what we had gotten in NSP one.

So our application was successful and then we had of that $17 million is program dollars.

We still wanted to stay true to sort of the purpose of the NSP two which is, you know, foreclosed homes and acquiring rehabbing and reselling them.

So we allocated of that $17 million in program dollars from NSP two we allocated $5 million to continuing our single-family rehabbed resale program that we have underway with NSP one and with our existing great partners.

So that left $12 million. We devoted about $12 million to do multi families and again all in these neighborhoods close to light rail lines or there was some one or two neighborhoods we just picked because they really had the need and they had a lot of high efficiency, high frequency bus quarters and things like that. But mostly they were light rail lines.

So we then have been soliciting applications for projects in these target neighborhoods. And to date we have received ten applications. Two have been approved and contracted for and are underway.

We felt like we needed to focus on the 50% set aside first. We really did not want to commit to other projects until we knew what was happening with the 50% units since that was so key.

So luckily we got two good projects in. And those of the projects that are underway right now. And that is meeting our full and 25% and 50% set aside.

Between those two projects there is about 120, 121 units in those two projects and again all at 50%.

So and we didn't - in NSP 2 we expected to meet the whole 50% set aside with the multifamily units and we really aren't requiring our partners to do any 50% homeownership units with the single-family portion that we have on that.

We do have two additional projects totaling 108 units that have been approved and they're going to be expending their funds in - shortly in the first half of this year.

And approximately half of the units in these two approved projects are 50% homeownership units.

One is a multifamily habitat project that - multifamily project that habitat is doing. It's a multifamily development for them which they really just started doing in the Denver area. They've got one or two that they've done so far and this is going to be another for them. So they've been great partners in NSP1 and 2.

We do have three other projects in underwriting and reviewing them and three others have been denied.

We - so of our $12 million in multifamily funding that we had in NSP 2 $8 million has been committed to date. And we have another $9 million in requests that we know of pending but of course we’re still accepting other applications.

We don't want to fund something just to fund it to get the money spent. So we really want to try to and get some quality projects too or that are meeting certain need.

For example one of the multifamily projects that is underway right now that's all 50% units it’s done by the Colorado Coalition for the Homeless so it focuses on that market. And they've got a lot of supportive services that they provide to those residents as well so it's a really good project.

Of the ten projects that we’ve seen so far 60% of those are on the vacant blighted land and 40% of them are on the foreclosed properties.

So without that change that HUD did to allow the 50% units to be completed on vacant blighted land I really don't think we could have met our production and set aside goals in NSP 2. So that was a big, big help to us.

In our area a lot of these multifamily rental projects may be in trouble but they don't necessarily going to foreclosure.

If they are in trouble they may go to short sale or they're just not that - as many out there and they're hard to find since they're going to a short sale market so it's hard to know that they're out there. So the vacant land change was a really, really big help to us.

And we definitely were worried about whether we could find projects in the neighborhoods because of this. So we think we've really gotten a good set of projects in.

The other thing is we really could not have done this as some others have mentioned without the great partners.

I mean besides habitat we have the Housing Authority, the Urban Renewal Authority, a land trust, several CHDO, several local CHDOs.

So they really have a good continuum of experience and expertise. And we kind of made - tried to make sure that they're competing against each other a little bit so that they get the production up and that if one isn't performing we have others to choose from.

And we've tried to vest most of the tasks of the mechanics of doing some of these with them so it's not the city doesn't have to sign off on all these things ahead of time. We let them be nimble and go out and do it.

And then the last - oh we also had a state NSP Collaborative Partners Group that I think was very helpful.

So all the NSP recipients in the state regularly meet and compare notes. And local HUD rep attends as well. And this was really, really helpful in the early NSP days especially.

Finally we do have this collaborative marketing effort with our single-family partners and with Freddie Mac.

It’s takerootdenver.org. It has information on available NSP homes, on buying a home, on keeping a home, and it really promotes, encourages home ownership counseling for any home not just NSP.

So it's a good information source for people with a variety of resources on it. And we've also done some billboards and bus shelter ads to drive track it to the Web site. So we think things are going pretty well so far and we are so looking forward to NSP3.

Marsha Tonkovich: Yes, that's right. I think we are on our last presenter. I believe we're on our - yes Kentucky, oh look at that you guys have a picture wow. Okay so Anne you're on.

Anne Chaney: Can you hear us okay Marsha?

Marsha Tonkovich: Oh yes you're great thank you.

Anne Chaney: Okay all right, well in some sense we're a bit the tail wagging the dog this afternoon. And we don't want to repeat some of the things that the other presenters have said. So I'm going to modify I guess our presentation just slightly.

Kentucky as is many of you, we are a rural area and we have multiple high need areas with regard to the NSP program.

For all of us I think it was a challenge. It's new program. It's fast moving. The expenditure requirements for NSP 2 and 3 are quite challenging.

And so we all of us are in an environment where we need to get the job done quickly but within the regulatory parameters.

And this program obviously is based primarily on CDBG with some elements of home and a number of NSP specific requirements.

In Kentucky we have a number of capable producers. By and large the most high volume producers of affordable housing are nonprofits.

And we at the department of the local government run the CDBG Small Cities Program. And obviously that means nonprofits don't directly access that funding.

And so as we looked at this program we did a significant amount of thinking and upfront planning as do many of you.

We assessed our own and our partner’s strengths and weaknesses. And then we designed a comprehensive policies and procedures to in essence take advantage of those strengths and to mitigate any weaknesses.

Some folks I guess would call that risk management. We just sort of think of it is getting all the obstacles out of the road before we start driving.

We listen closely to our partners. They’re on the ground. They're doing the work and they know better than we what the local challenges might be. We consistently look for ways to enable instead of inhibit our partners.

And so we'll talk in a few minutes I guess a little bit more about some of our implementation paperwork which really did help us accomplish those goals.

But I do want to encourage everyone to also look at their own capacity gaps. Certainly in Kentucky there were a couple of major program components that the department for local government was not prepared to conduct, one of those being field inspections of construction in units, the other being loan servicing.

And so we partnered with Kentucky Housing Corporation, our state housing finance agency and we’re very grateful for their help.

We entered into an administrative services contract. They do both of those things as well as many others. And so they're assisting us in that regard.

I guess primarily what I would say is don't be afraid to identify what you can't do just go out and find somebody who does it well and enter into a contractual relationship with them.

The other issue was communication. I think we almost wore John Laswick out in the first three to four months.

We didn't call him with silly questions that we defined find in the regulations ourselves but we quite often requested policy interpretation.

We also talked weekly with (Rich Neide), our senior CPD represented in our HUD local field office and we talk daily of course with our partners.

But clear communication means that HUD is not surprised by what we're doing and we're not surprised by what our sub grantees are doing.

It's created an environment where for our funded agencies if they do something maybe that is ill advised or questionable we don't have to play got you. They call us and they go oops here's what we did, what do we do now? And usually it's not a big issue and it's easily solved.

Specifically to overcome rural challenges, again our comprehensive policies and procedures have enabled us -- and this is going to sound a lot like Kate's presentation -- but we've got $37 million maybe $45 million by the time we get finished with program income spread across 22 agencies that are five to six hour drive apart.

So what we have done we have made all of our implementation forms, they are Excel based, they're emailable. Related documents are scanned and sent to us.

What this translates to is that we have first of all a limited staff. We've got four folks including myself. We provide one to two day turnaround on unit approvals. And we do draws the same day that were received - they're received.

As we can electronically archive all of our project documentation. And this also helps us tie - we use HDS as our detailed financial management system and it helps us tie this DRGR which is HUD's reporting system.

Some of you may have heard Laura Kronauer of our staff speak at the HDS conference last fall about the innovative ways that you can use HDS to track NSP.

More specifically are forms document regulatory compliance, both NSP compliance and cross cutting federal regulations.

We want to make sure that our folks are coloring inside the lines so to speak. And we understand that this is important for three primary reasons.

Number one, this enables us to do desk monitoring before NSP funds are invested. There have been occasions where we have had to politely decline a unit but we haven't had to fix anything on the backend.

And, you know, it really doesn't matter who we fund. Ultimately we are the grantee. We're answerable to HUD and responsible for regulatory compliance.

The main thing this has done is it's freed up staff to focus on true implementation issues. As Kate mentioned for most folks there were program design modifications between the time folks applied and the times they were able to get out and hit the ground and get the programs up and going. So a great deal of flexibility is required.

The last thing that we wanted to mention was that since the program's inception we have been using GoToMeeting to provide webinar based training to all of our sub grantees.

It costs us less than $1000 a year and it’s probably saved us 50 times that amount. And let me give you a couple of concrete examples about the ways in which that is helpful.

Sara Osborne on our staff runs the training program but Roy Brothers, another member of our NSP team in a past life was a Realtor -- this will sound familiar to many of you -- who bought rehab and sold foreclosed housing. His experience has been invaluable.

Early on in this program we were able to have a real-time online training that Roy conducted.

He was able to walk folks through not one but 22 different Web sites and show our sub grantees how to identify foreclosed housing in their target neighborhood, how to contact the lenders, and really important things like yes there is a difference between the bid and the buy process.

He also was able to form a partnership with Bank of America and PNC that enabled our folks to get first shot at foreclosed housing before it went on the regular market.

The other way that this program, the GoToMeeting Web based training has been critically important, you know, HUD has been put in a position with this program of trying to read a book to us at the same time it's being written. And that's challenging for everyone involved.

And so the webinar trainings have enabled Kentucky to provide very timely statewide trainings as guidance has evolved.

For example, when the guidance changed on eligible property types or obligation of funds Kentucky was able to do webinar training with all 22 agencies and go over the changes, how those impacted our agencies and the revisions to our electronic forms.

We also are able to provide immediate on-demand one on one training and technical assistance whether it is a implementation challenge in Paducah five hours away or as close as our own backyard.

We can have that interactive discussion with our sub grantees and resolve whatever issues might arise.

So again, you know, I think what we have looked to is are to identify risks, to mitigate those risks, to create an open communication laterally up then down, and to create profits that are comprehensive, everybody has good guidance they know the rules and to do that with technology that expedites program deliveries rather than inhibits it.

Marsha Tonkovich: Terrific, thanks very much Anne. Well thanks to all of our panelists and we're going to know open up and begin our question section of our discussion.

And I hope that all of you who are on the phone, feel free to ask questions of your colleagues, learn a lot (sic) of diversity of ideas and great things I think you heard from each of the panelists so I think they're here as a resource for you.

So I think we have a couple of people that I believe are on the phone so (Caity) can we take our first caller please?

Operator: Sure if you could press star 1 on your telephone keypad at this time if you would like to ask a question.

If you're joining us on a speakerphone please make sure your mute function is turned off to allow your signal to reach our equipment.

Once again that is star 1 to ask a question. Your first question comes from Zelia Brown with Fort Bend County Community Development.

Marsha Tonkovich: Hi Zelia.

Zelia Brown: Hi. Good morning.

Marsha Tonkovich: Hi. Go ahead with you question.

Zelia Brown: Okay. As it relates to the voluntary informational notice to acquire property, the first question is is this form needed to give the seller for the foreclosed properties to let the seller know that the grantee does not have imminent domain? Is it the required form that's needed for all foreclosed properties to give to the seller?

And number 2 is (sell). Is certified with a return receipt the only acceptable method regarding how it is delivered? I guess in other words, can this document be hand delivered and signed as proof that it was given to the seller?

Marsha Tonkovich: Sure. And I'll also ask our panelists. I know everybody probably had to have a process for making sure this was done as well. And I know we've now been joined by Jessie and David from HUD ((inaudible)) Hunter. So I'll take a shot at the answer but Jessie or David if you guys want to jump in.

So the answer is yes. The voluntary acquisition notice that you refer to which is a URA requirement, it's not just for closed properties but it's any property that you buy whether it's your or the developer or sub recipient, whomever. You are required to give that voluntary acquisition notice to the seller of the property.

And the intent of that notice is just to let them know two things. One that you either won't exercise your power of imminent domain or number 2 that you don't have it if you're a non-profit or a for profit developer; so that they don't perceive this is somehow a condemnation or something.

And then number 2, the purpose is to let them know that they are not entitled to relocation benefits if they are in fact the owner occupant. Now obviously tenants are different.

So there is a reason for that notice. It needs to be sent out prior to when you execute the sales contract for the unit and there are indeed two different legal methods of delivering that notice. One is as you mentioned, return receipt requested mail, that little green card that you give back in the mail or number 2, you can do a hand delivery.

If you do a hand delivery, you do have to have a receipt from the deliverer, you know, your staff person or the sub recipient or whomever and a signature from the recipient, the seller of the property. And you'd want to have that signed receipt in the file or the green card that comes back from the post office along with a copy of the notice in your file for proof of delivery of that notice.

Jessie or David, anything to add on that?

David: No, I think you hit it on the nail Marsha.

Marsha Tonkovich: Okay. Great. So folks who are on our call, why don't we bring in our panelists. It is - this is a difficult thing to do. And it's true in home and CDBG long before NSP came along. And it's even hard in NSP given the pace we're moving at to get this done in a timely way before we do the sales contract.

Has anybody got any good tips and techniques for how you guys are getting this done or proving that its been done? Any of our panelists? Okay. Well I invite others to share ideas with one another as you talk down the road.

Peter and Stu who are on the phone. And I shall put up the list of our panelists so everybody knows who's on the phone. Any thoughts you guys have about this notice and the way you've seen people doing it?

Stu Hershey: This is Stu. We were having a hard time getting sellers to agree to this document at the beginning. But then didn't the rules get changed and the requirement was simply that it be delivered, not that they agreed to any of the terms? That they just be notified of the terms.

Marsha Tonkovich: Right. They don't have to agree to them but they do have to have - do have to have proof of delivery.

Stu Hershey: Correct. That made it a lot easier though.

Marsha Tonkovich: Okay. Great. All right. Well let's move on to our next question (Caity).

Operator: Your next question is from Kenneth Collins with High Desert Region Green Jobs Initiative.

Marsha Tonkovich: Hi Kenneth.

Kenneth Collins: Hi. Good morning. How are you doing? This is for Douglas if he's still on the line.

Doug Swoger: Yes. I'm still here.

Marsha Tonkovich: ((inaudible)) are you still on?

Kenneth Collins: Hey, Doug. How you doing?

Doug Swoger: Yes. I'm still here.

Kenneth Collins: Yes. I'm working with a variety of churches Douglas and you may have seen December 21 the Mayor's initiative to go for energy efficiency centers for non-profits. I'm working with a lot of churches and they've asked me repeatedly about the foreclosed homes and how to apply. Should they apply as a group? Can they apply individually, et cetera?

I don't know if you're familiar with the Valley Interfaith Council -- (Douglas)?

Doug Swoger: Yes I am familiar with them.

Kenneth Collins: Yes. I'm talking with one of the pastors who sits on our community outreach committee, Pastor (Chapman) and him and a collection of other churches have asked me that question because I'm trying to help them with their energy efficiency.

And they wanted to know are - is a single individual faith based entity able to purchase the homes, upgrade them and manage and hold them for resale? Is that only through the entities that you created the restore neighborhood?

Doug Swoger: Yes. The single-family homes are being done only by the non-profits for the rehab. Now there might be some opportunities with some smaller rental properties. And, you know, I think, you know, we can talk offline more about this too. I can give you my phone number and you can call me.

Kenneth Collins: Okay.

Doug Swoger: But I think, you know, primarily it's with the smaller multifamily properties that groups would be interested in owning and managing...

Kenneth Collins: Right.

Doug Swoger: ...(because) it belongs to the single families.

Marsha Tonkovich: Okay. All right.

(Crosstalk)

Kenneth Collins: Hello. Hello.

Marsha Tonkovich: Keep going.

Kenneth Collins: Douglas. Are you doing anything at San Fernando Valley because if I ask around in San Fernando Valley, people are kind of like, huh? They're scratching their heads. Is anything being proactively launched in the San Fernando Valley for using the NSP?

Doug Swoger: Yes. There's several neighborhoods up in the San Fernando Valley that are, you know, NSP eligible. And we do have several properties up there.

Kenneth Collins: Yes. I in (Paquana), the 7th District.

Doug Swoger: Yes, absolutely.

Kenneth Collins: Okay. Well great. If I can get your number, I can give you a call offline and thank you.

Marsha Tonkovich: And we have - you look - you'll see the - one of the last slides. We actually have the email addresses for all of the speakers that you've heard today because they've graciously agreed to share their experience with you, so for you to email one another.

Can I move on to our next question? So (Caity) who else is on the phone?

Operator: Your next question is from Dick Baker with Pensacola Habitat.

Marsha Tonkovich: Hi Dick. How are you?

Dick Baker: I'm fine. And thank you for taking my call. I joined your conference rather late and it may be a question that's kind of off topic. I'm with Pensacola Habitat and we are one of seven habitat cities that are involved with the NSP 2 program through Habitat International.

And each of our affiliates of course go through environmental approvals within the program before approval to acquire rehab and so forth. But the - within the last couple days, we have learned that another type of clearance was going to be necessary probably somewhat related to the Bureau of Indian Affairs and that kind of has all of us for the moment stumped in trying to find out what might that be and how do we go about meeting those requirements.

Marsha Tonkovich: It's probably being burial grounds part of the environmental. Anybody from HUD or Stu or Peter or any of our panelists know anything about that aspect of the environmental?

Geoffrey Ross: This is Geoffrey in Sacramento. We entered into an agreement with the local Indian tribes here around Sacramento because some of the work that, you know, we're working, you know, some of the areas that we're working on are near known burial sites and stuff.

So we entered into communications with the various tribes at the early onset and came to an agreement that's in effect throughout our program to make sure that we can adequately address anything that were to arise as a result of the work being done.

Marsha Tonkovich: Great. Any ((inaudible)).

Dick Baker: Well thank you. Do you somewhat approach that on a property-by-property basis and get something in writing of clearance that you submit as part of getting your other environmental approvals?

Geoffrey Ross: We identified the entire NSP target areas and basically said that - because it's really hard to identify any particular property that you might undertake over the, you know, the life of the program. So we said that in the process because we had to, you know, we did the programmatic environmental and then we do individual property environmental.

And so we definitely - if we come across anything, we keep in communication with them basically is how we're operating at this point in time.

Dick Baker: So I gather that probably for the area that you're working and there have been a approval or system set up such that HUD does not object to your continuing with the property, have somewhat I guess I'd say a blanket approval unless you otherwise find a problem.

Geoffrey Ross: Yes. We worked with our local regional environmental officer on it. We have an environmental coordinator with our agency that coordinates with all the agencies to do this type of work. So - I mean they did the very specific task that we're talking about here.

Dick Baker: I think it is new to our Habitat International but I thank you. Is it possible that I could offline call you later and maybe get - try to define a contact into the local environmental office that you work with and see if we can't find procedurally how we could learn a bit and translate it back to our area?

Geoffrey Ross: Absolutely. Not a problem.

Peter Werwath: This is Peter Werwath. I'd like to ask the caller what sort of geographical spread are you having with the homes in question here? Are they spread over a wide area or a tight area?

Dick Baker: Well, for the one in seven that we are in the Pensacola, Florida area, we are probably - I would say it's a relatively small area, maybe a total of 15% of the two counties in Florida that we are operating in. There are six other cities that are in larger areas generally, Miami, New York, Los Angeles, Dallas and so forth.

But at any rate as I understand it as of this morning, Habitat International in Atlanta went through - all seven of us worked through is stymied and not been able to find someone that couldn't - with HUD to tell them what is the procedure and so forth that needs to be gone through.

In the meantime we were told that all of our environmental approvals are being blocked for lack of the necessary information as program. So just trying to learn. And it sounds like maybe Geoffrey could lead me to the right place or you can.

Peter Werwath: Just make some suggestions. They may not be comprehensive but generally this becomes very important and requires quite a bit of homework in states that have a lot or archeology.

I would talk to your state SHPO and I would assume this is state by state generally, the procedures that are set up. And generally it would involve possible, you know, clearance of a whole area if they're - it's know that there aren't places of archeological significance but it could be an old village, it could be a burial ground or it could be various kinds of archeology.

Generally you would need to get either this sort of a blanket clearance which is highly desirable was agreements with the tribes in the area or you would have to go one by one to the tribes that had ancestors traditionally in that area. So it gets quite complex. I would think - I would start with the state SHPO in each of these states.

Marsha Tonkovich: ((inaudible)).

Peter Werwath: And I think you'll find that generally procedures have been set up for that.

Marsha Tonkovich: And the other thing I would recommend is to certainly talk to the environmental officer. If there isn't one in Florida, I don't know if there is or now, you can certainly talk to the field office in Atlanta. They can help. And if they're not able to, you could also check with Charlie Bien and the other environmental folks at HUD headquarters.

And you can find their email addresses if you go on to the HUD locator on the HUD Web site. There's a part of the HUD Web site that enables you to type in someone's last name and get their email address.

Male: This is...

Marsha Tonkovich: I think it's B-E-I-N. Is that right Jessie and Dav- David?

David: If you give me a second, I can probably locate it for you.

Dick Baker: Thank you.

Marsha Tonkovich: Great. And he one of the - he's been the key environmental point of contact on the NSP work that we've done. So he can also probably point you guys in the right direction since you're working multiple regions across the country.

Dick Baker: Perfect. I didn't catch that name but I guess I'm about to hear it.

David: The name is Charlie Bien, B-I-E-N and...

Dick Baker: All right.

David: ...he can be reached at 202-402-4462.

Dick Baker: Thank you all for your help.

Geoffrey Ross: Oh and this is Geoff. Just to follow up. Peter actually hit it right on the nose that a lot of what we did was through state SHPO. And that's how the tribes are contacted and notified and how we got into, you know, agreements with them and stuff.

Dick Baker: Thank you much.

Peter Werwath: And my experience -- Peter again -- is when the SHPO signs off, I mean all the SHPO should be well aware of these requirements for archeological sites. And when they - if they sign off, I would say that they must have a system in place having previously cleared certain areas as not being significant.

But when you get to areas like Santa Fe and Albuquerque, you might have to consult with three or four tribes that add ancestral ties to those places. So it's - I would say just as comment in a few places it will require some work even site evaluations potentially. But in my experience in most of the places just get fairly quickly cleared.

Marsha Tonkovich: Thanks Peter. Okay let's take our next question (Caity) and then we'll get into some of our written questions after that.

Operator: Certainly. Your next question is from Joanne Auerbach with Placer County.

Marsha Tonkovich: Hi Joanne.

Joanne Auerbach: Hello. Good morning. It's - oh no, it's afternoon here in California. I have a question about disposition costs. We have NSP1 funds and are loaning them to a non-profit subsidiary of (Percy) Housing. And they acquire and rehab and resell the properties with a loan. And of course in most cases when the property is sold, the cost of acquisition and rehab can sometimes exceed the sales price. And so we have provisions for loan forgiveness.

But we also are in a quandary sometimes about what to do about disposition costs and what disposition costs are. We've done some research. We've talked with California HCD and at this point the things that I've identified that are disposition costs that can be deducted from the sales proceeds would be the realtor's commission for the sale as well as those post-rehab maintenance costs. Does it sound like I'm on the right track?

Marsha Tonkovich: Let me bring in Jessie and David. Do you guys want to speak to this a little bit?

David: I'm sorry. I missed that question.

Marsha Tonkovich: Sure. So the question is we have activities where the cost of the activity exceeds the development cost - the value of it and the ability to sell it. And that - some of those extra costs include disposition costs, things like the realtor and the maintenance costs for holding the property and then post-rehab before you can dispose of the property.

David: Right.

Marsha Tonkovich: And the question is how to treat those and whether those get written off or how do they get - how do they get handled? Did I get your question correctly?

Joanne Auerbach: Yes. Just want we want to do one simple way rather than trying to increase the loan and then forgive the loan is that when we get into escrow we just direct escrow to deduct those - some of those disposition costs from the sales proceeds...

David: Right.

Joanne Auerbach: ...and return to us and put in program income.

David: Okay. So from a HUD perspective, we - some of those costs that you mentioned are allowed to be included in the purchase price. But if the market cannot bear that price, then yes, you're going to have to reduce the cost. In terms of how you classify it, you'd continue to classify them as disposition costs and that's what we call activity delivery costs.

So those are just sunk subsidies that you'll have ((inaudible))...

Marsha Tonkovich: And they would never need to show up on the HUD1 I think is where we're going with this.

David: Yes. No.

Marsha Tonkovich: That you can pay for some of those sorts of costs. Think of them as sort of offline in the sense that they never touch the homebuyer. So what you charge to the homebuyer and what you settle on at the closing table, you know, you don't want to have that debt on the property exceed what it's worth and exceed the price at which you're selling the property.

David: Right.

Marsha Tonkovich: So to the extent that you have other costs that exceed that, you can just pay for those directly. You don't have to, you know, worry about the fact that you paid for them and you didn't get the money back and program income and all that. You can simply pay for those costs as a cost of the program.

David: Right.

Marsha Tonkovich: That make sense?

David: Yes.

Joanne Auerbach: And those legitimately could be called disposition costs?

David: Yes.

Marsha Tonkovich: Yes. As long as they're...

Joanne Auerbach: For purposes of ((inaudible)).

Marsha Tonkovich: ...related to selling of the property.

Joanne Auerbach: Okay.

David: Those are all expenses that you incurred as you were preparing the property for sale.

Marsha Tonkovich: Other - let's bring in our panelists here. Has anybody had to deal with this kind of issue where your costs have exceed the amount of market and the value of the property and how do you deal with that?

Kate Blood: This is Kate Blood from Wisconsin. We have had that a number of times where the cost of the rehab, the acquisition and all of the activity related cost dos exceed what the market appraisal will be as it goes forward towards the resale.

What we do is - what we allow our sub grantees to do is to simply - they can get reimbursed for those costs obviously but those costs do not move forward obviously as well to the homebuyer.

Marsha Tonkovich: Right. So off book.

Kate Blood: They'd just get segregated.

Marsha Tonkovich: ((inaudible)) that they're not part of the HUD one.

Kate Blood: Right.

Marsha Tonkovich: Okay. Terrific. Let's take our next caller and then we'll...

David: Kate, Marsha, one other thing Jessie wanted to mention was that the disposition costs that we just spoke of, they can disappear into other eligible activities in DRGR for reporting purposes.

Marsha Tonkovich: Okay. Terrific. In other words you track them with the rehab or with the other costs that you're doing?

David: Right.

Marsha Tonkovich: Right. Okay. Great. Our next caller please.

Operator: It looks like we have no more questions.

Marsha Tonkovich: Okay. So let's do the written in questions and then we'll come back and take some more phone questions. So our first written in question comes from (Delia Brown). I believe we've - I think we covered hers. Hers was the acquisition notice question.

So from (Michael). How often should a sub recipient return program income to a grantee? So I'll give you guys sort of the official policy and then I will as the panelists about how often they ask for it back.

So HUD doesn't have an official sort of you must put it back quarterly or whatever. But remember that it depends on whether you're going to let the - you're going to let the program income stay with the sub recipient or whether you're going to let it come back to the grantee.

Either way you have to have a reporting mechanism because you have to be able to use that money first before you actually draw down new money. So with that sort of general caveat, let me turn it over to our panelists or maybe to HUD. How often do we want to see or do you guys ask for reporting of program income, with that frequency and do you require it to come back to you or do you let the grantee keep it?

David: Well program income as it stands now should be recycled as additional funds that are used for other eligible NSP activities. In terms of reporting frequency, the official reporting that you provide the HUD is done on a quarterly basis.

So it kind of depends on the pace at which it's being developed but I would imagine that as you are making your DRGR entries whether it be on a daily or a weekly basis, you'll want to be updating that as well.

Marsha Tonkovich: Okay. All right. Panelists how do you handle program income with sub grantees or sub recipients and how frequently do you make them report to you?

Anne Chaney: Marsha, this is Anne.

Marsha Tonkovich: Yes.

Anne Chaney: We actually do not allow any of our sub grantees to retain program income and so all of the program income in Kentucky is returned to the commonwealth. And, you know, as David said, we enter it in the DRGR and we expend it prior to drawing down any additional HUD funds. It can be a bit of a tracking challenge but it's certainly a doable thing.

We did not allow folks to retain program income because unlike more established programs such as HOME and CDBG, we felt that there would be some long term compliance challenges in ensuring that it was expended for NSP eligible activities. So...

Marsha Tonkovich: And Anne, how frequently do you require you sub grantees to send it back to you?

Anne Chaney: We front ended NSP into acquisition and development so that we had a comfort level we would meet the obligation deadline. When homeownership units close within - literally at the closing, the attorney cuts the program income check to DLG.

And so we receive it immediately and we typically expend it same day or within, you know, the same week that it's received depending upon the flow of draw requests.

Marsha Tonkovich: Okay. All right. Other panelists, how do you guys handle the program income with your sub grantees or sub recipients?

Geoffrey Ross: This is Geoffrey again from Sacramento. We do the same thing. It's at closing of escrow that we get the program income back in immediately and stuff. And that way we can record it as it comes in and report it on the quarterly basis for the DRGR.

It is also - potentially if you don't do it in a timely manger, it's also a single audit issue that, you know, could come up and stuff. So it is something that you need to have some sort of regular reporting mechanism in place.

Marsha Tonkovich: Yes. One of the ways that some grantees have done it is particular for - if you have a sub recipient or a sub grantee whose got an ongoing program where they're in the middle of that program is that - and I know Anne for Kentucky you guys have this CDBG program that when they want to go for a draw request, they have to net out the program income and show it, you know, show it all in the single draw request so that it's - rather than, you know, if they needed to draw on, you know, $20,000 but they had $1000 of program income on hand, they would have to show in their draw request the reduction of the $1000.

So for folks who are letting the sub recipients keep it, they're handling it that was as well. Other folks who - other folks on the panel, how are you guys handling program income? Folks in LA, I mean you have a huge sub recipient. How are you guys handling it?

Doug Swoger: Yes. I think we handle it consistent with the other grantees. We require the money come back to us immediately so that we can get into DRGR and control its disbursement. So I think we give them five days to actually return it.

Marsha Tonkovich: Five days. Okay. That sounds good. And again, the key thing guys is to make sure you're receiving it as the panelists have said in DRGR so that we're keeping track of the receipt and the use of those program incomes.

Okay. So with that, I'm going to move on to our next question. Comes from (Ellen Hauser). In the Denver Habitat partnership is Habitat managing the financing of mortgages for the homebuyers?

Yes they are. Yes. They are managing the mortgages for those homebuyers. They do have a relationship with CHFA, which are - with the Colorado Housing and Finance Agency that CHFA buys their mortgages so they can revolve that money. But yes they do.

Female: Just like (them).

Marsha Tonkovich: Okay. Terrific. The next one comes from Diane. Back to the voluntary notice question. Can you use a notice - notarized affidavit of mailing? It is accepted in the other matters in Wisconsin and less expenses and certified mail.

I would turn that one over to HUD. I don't know whether you guys are accepting a notarized affidavit of mailing.

David: Sorry. I miss - I was - I missed that one again.

Marsha Tonkovich: Sure. It's the voluntary sale notice of proof of delivery. The question is whether or not you could use something called a notarized affidavit of mailing as opposed to the...

David: No. No.

Marsha Tonkovich: No. Okay. That's a no. All right.

David: Yes.

Marsha Tonkovich: Okay. So moving on. Oh terrific. We have a - we have input from someone in Florida for back on your environmental question from Ross. Thanks Ross for the input. Ross says the HUD environmental contact for Florida is Al Cazzoli, C-A-Z-Z-O-L-I who can be reached at 305-520-5055. Again that was 305-520-5055. And you can also find his email address on the HUD locater that I mentioned earlier.

David: Marsha, on my list it shows it's 5005. Is that what you...

Marsha Tonkovich: Didn't I say that? What did I say?

David: I thought you...

Marsha Tonkovich: Oh 5005, 5055 is the right end of the extension, yes. Okay. So that's the end of our written in questions. Do we have anybody else on the phone?

David: Marsha, let me just give Al's email in case they have problems with that.

Marsha Tonkovich: Sure.

David: It's actually U-B-A-L-D-O.A as in apple.Cazzoli, C-A-Z-Z-O-L-I@hud.gov.

Marsha Tonkovich: Great.

David: Okay.

Marsha Tonkovich: Thank you Ross for sharing that with us. Other - do we have any called in questions again (Caity)?

Operator: Yes. You have a question from Kevin Fincher with Orange County, California.

Marsha Tonkovich: Hi Kevin.

Kevin Fincher: Hello. How you doing?

Marsha Tonkovich: Great.

Kevin Fincher: Just a quick question on dispositions that was discussed about 15 minutes ago. Two-pronged question. First part is is there a ceiling on the disposition percentage? Running through some numbers, let's say purchase price $200,000, $100,000 additional were invested for rehab and other disposition costs and the property sells for $200,000 end of today. I have $100,000 that

I'm going to, you know, charge against other disposition activities. Is that a big number when you look at, you know, the total deal?

Marsha Tonkovich: I'm going to let the HUD folks weight in on that one, Jessie or David or Hunter. You guys still there.

David: Sorry. Jessie's not on the call but she's emailing me some comments.

Marsha Tonkovich: Okay. So what's our distance answer?

David: Sorry. Let's see. Oh, she said repeat the question.

Marsha Tonkovich: Okay. So please repeat the question. It has to do with what is a reasonable level of disposition costs and caller do you want to recap the numbers you talked about?

Kevin Fincher: Sure. Just in Southern California of course housing costs are high yet, you know, the market's, you know, bouncing all over the place and through the program we've acquired at a certain price and now the market's depressing again.

David: Yes.

Kevin Fincher: So that being said, the example I gave was a purchase of $200,000.

David: Right. For something like that, we're not going to have any established number. But we typically reference the OMB circulars for cost reasonableness so what's the going rate in that market for the services that you are spending the NSP funds on?

Kevin Fincher: Is what you would tie it back to, correct?

David: Yes.

Kevin Fincher: Okay. ((Inaudible)) activities are the bulk of the investment. Obviously, I can justify those costs.

David: Yes, yes, she says months or years before you can resale or dispose of it permanently. You also need to look at the overall holding costs. So how long is it taking you to sell this, right? And are your plans changing if you're sitting on it longer than you expect?

Kevin Fincher: Okay.

David: That sort of thing. But for the most part, you wan to look at what the going rate is in the market relative to what you're spending.

Kevin Fincher: Great. And the second half of the question is, are there eligible disposition costs, and more so, ineligible disposition costs -- a prime example being property taxes being paid by the non-profit that's holding the property until the resale?

David: Right. Property taxes would be eligible holding costs. Now this gets a little tricky though for grantees, because it's real - for the grantees, it'll be based on what the state or local laws are. So if the grantee is exempt from paying taxes, then we wouldn't expect to see NSP funds being used for that, right?

Kevin Fincher: Wow. Yes, that's a little tricky.

David: But if there's no - if everyone pays taxes, whether you're using NSP funds or some other funds, then yes, by all means you'd use those funds to pay the taxes.

Kevin Fincher: And that would include HOA dues as well?

David: While you're holding the property.

Kevin Fincher: Right, okay.

Marsha Tonkovich: Great.

Kevin Fincher: Thank you.

Peter Werwath: This is Peter. I worked with John Laswick on this answering a couple of sets of questions like this from grantees and it was a rather inclusive list. It was holding costs, accident insurance, you know, seller closing costs, etc. So as long as they're legitimate and conventional costs, as David said, it's - they are eligible.

Kevin Fincher: ((inaudible)) as well?

Marsha Tonkovich: And I think the precaution that I would give you is just being a little bit careful about things which reimburse the grantee itself. So, you know, be a little bit cautious about things like that.

Kevin Fincher: And utilities also, I assume, correct?

Marsha Tonkovich: Yes.

Kevin Fincher: Okay. Thank you very much for taking the time.

David: And the other comment was that the grantee must pay costs attributable to a prudent property loan.

Kevin Fincher: Right, okay.

Male: Yes.

Marsha Tonkovich: Okay. Caity, other questions that we have on the phone line?

Operator: We do have one more question. It's from Valiera Best with the city of Goldsboro, North Carolina.

Marsha Tonkovich: Valiera?

Valiera Best: Good afternoon. My name is Valiera Best and I'm particularly - I work with the city of Goldsboro, North Carolina, and we're potentially going to be start receiving for the state in NSP3. This is our first participation and I would like to know what would be the best way to set up a good NSP3 program just to get started?

Marsha Tonkovich: Okay. Well, why don't I ask some of our panelists who had to start their NSP1 programs some of the tips that - some of the sort of first steps suggestions you would have for Valiera as she gets started.

Doug Swoger: Yes, this is Doug in Los Angeles. I would say, you know, a first important step is to understand the market in your area to know - you know, under NSP3, you guys - they have - the state has select areas, but really get out in the streets and see where these foreclosures are occurring and where you can really make a difference and bring in folks that have this information to help educate you where the problems actually exist so that you can design a program that really addresses what's going on in your market, because it's been our experience that the problem differs in different areas, you know, of the city and a different approach might be needed in other areas.

And in addition to that, stay on top of these regulations, because they change constantly. They evolve. And I think HUD is very responsive to hear issues that all the grantees are going through to amend the program and make it as, you know, flexible and valuable as it can be.

Valiera Best: And I'd say that the area that - we only had one ((inaudible)) area that was eligible for NSP3, and it's actually in what is mostly a historic area. And we have started revitalization, and we've built three homes with partnerships with self-help and that's the area they want to go in and do. We have targeted to do ((inaudible)) with new construction on vacant lots, and we have three historic homes for renovation, rehab, or resale. That's pretty much what we have right now in the area that we're working in.

Marsha Tonkovich: Okay. Any tips from any of our other panelists about how Valiera might get started?

Kate Blood: This is ((inaudible))...

Geoffrey Ross: This is Geoff in Sacramento. To piggyback off of what Doug was saying, I think that understanding your market's really important, because if you're working on NSP, you're not going to have enough money, typically, to impact all the area that folks are going to want you to impact.

Valiera Best: Right.

Geoffrey Ross: And so, you need to be able to talk to areas of interest in the public, and you've also got to be able to have very candid conversations with your elected officials, so hopefully, everyone's on the same page as - you know, in terms of you're targeting a certain area because of reasons that everyone can agree to, and that's going to go a long way in, hopefully, making your program succeed.

Valiera Best: Thank you.

Kate Blood: Hi, this is Kate from Wisconsin. Piggybacking on both those comments, I would agree that knowing your market is probably one of the most important variables in it, because one thing that we found is that, quite often, a municipality with a common council may have certain goals that they want to achieve with areas within the city.

And homeownership may be very high on their list of priorities, whereas what you may find in terms of the demand is that, in fact, resale may not be the type of tenure that, in fact, will work best for an area. So, it's very important to know what it is that certain areas in inner-city need and then be able to work with the various political forces that control whether or not you're able to put that into place.

Valiera Best: Thank you.

Marsha Tonkovich: And we also got a written-in comment from one of your colleagues on the phone, which said to get in and use the TA early and often and to really ask for help in terms of setting up your program. There is - if you go onto the HUD Web site, there's a way to request the TA. It's free. So go onto the NSP website, and go under - I think it's under Request Assistance, and you can request distance - you know, telephone kind of help as well as in-person help.

Valiera Best: Okay. All right. Thank you, ((inaudible)).

Marsha Tonkovich: So you may want to go on there and request that help. The other thing is that there are tool kits that are also on the Web site.

Valiera Best: Yes.

Marsha Tonkovich: Depending on the kind of program you decide you want to do whether it's single-family or multi-family or lease-purchase or whatever, there are a series of tool kits with sample forms and checklists and all that kind of stuff that can help jumpstart you.

Valiera Best: Okay. Thank you.

Marsha Tonkovich: Sure.

Peter Werwath: Marsha, it's Peter. I'd just point out that some of the most common problems we've seen with startup programs was not having complete policies, procedures, forms, and particularly, agreements with sub-recipients and developers, and that tool kit has models for all of those.

And back to the market issue. I think a common mistake we've seen is folks going into target areas, and often, they're, you know, relatively large. The census track can be large, and there could be a lot of variability within a target area.

And so, if you're planning resale, actually look where resales are happening or if they're happening, because you might find little clusters of what we call kind of micro-target areas that work within larger target areas.

Marsha Tonkovich: Yes, and on that point, I'd like to ask a question of the panel. I was just down in Orlando for the clinic that we did this week, and I also was in the one in Detroit a couple of week of weeks ago. And of the comment questions I heard in both of those clinics was this issue of demand and how to - you know, "We acquire the units, we rehab the units, we now have 30 units that are in our portfolio or however many it is, and we're having a hard time selling them. What do we do about that?"

And so, I'd like to ask the panelists whether if anybody had experienced that. And if they have, how they addressed it? And also, how they're doing the marketing beyond just, you know, placing adds in the paper? What are some of the innovative ways?

And I heard one of the panelists talk about a billboard. If the panelists could talk just a little bit about the marketing and how to really make sure they're reaching those homebuyers, that would be helpful.

Anne Chaney: Marsha, it's Anne.

Marsha Tonkovich: Yes.

Anne Chaney: In Kentucky, all of our folks, obviously as elsewhere, everyone's working with a realtor and doing aggressive marketing. But I think one of the things that we encourage folks to do is to not sort of default to past practice and to not paint themselves into a corner.

The program has adequate flexibility such that if someone has - the acquisition single-family homebuyer market, if the bottom just continues to fall out of that, then, you know, these units can always be done via lease-purchase, which might transition a renter into a homeownership scenario. Or with our higher-volume, high-need, high-capacity producers, they always have the ability to manage renting housing.

Now, obviously, at that point, we would have to drop back and do a pro forma on what was previously a single-family homeownership project. But again, when we did our environmental reviews, we didn't constrain ourselves. We, for example, assist an entire jurisdiction regardless what the target areas were, but markets change.

Now that was doable under - you can't do that with NSP3 and I want to be very clear about that. But even the scope of work that you undertake, make sure that the folks have the capacity to do a multitude of activities instead of painting yourselves into a corner where someone can do one thing and nothing more.

Marsha Tonkovich: Good point. Any other panelists who'd had to deal with a marketing issue and what are some innovative marketing things that you've done?

Brandy McQueary: This is Brandy from the city of Cincinnati. The city's working with local CDCs on our homeownership activity. In addition to the CDCs working with their realtors independently, the homes being listed in local papers and periodicals, the city has the homes listed on our Web site. And we're also working in coordination with our homeownership counseling providers so that they're aware of the homes on the market through the program, and as people that maybe didn't know about NSP are getting certified with their homeownership counseling, they start looking at our homes also.

Beth Truby: Yes, and that's basically the same in Denver. I mean, we have - several of our partner groups have had long-established homeownership programs, down payment assistant programs, and things like that, so they know their markets really well, and they've had kind of a pipeline of buyers too. So, of course, they're working with realtors as well, but they've had these well-established programs for a long time, so we've been very excellent with that.

Marsha Tonkovich: Excellent.

Stu Hershey: ((inaudible)), this is Stu. I was talking to a city in Florida that's using NSP funds to actually pay CDCs for that pipeline. So it was paying as much as $5000 for a buyer that would be funded overtime at milestones. So maybe the first $1000 would go to the non-profit when they went through housing counseling and other milestones might include complete credit counseling and get an approval at a - from a bank. And so, that city decided that developing a pipeline of eligible buyers was the biggest challenge, and they hired the non-profits to help them create that pipeline.

Marsha Tonkovich: As an activity delivery cost too?

Stu Hershey: Right.

Marsha Tonkovich: Exactly.

Stu Hershey: Exactly right.

Marsha Tonkovich: Other panelists? I think I heard somebody else jumping in.

Geoffrey Ross: Yes, this is Geoff again from Sacramento. That was one of our really big concerns when we started our vacant property program. We had no idea whether or not we had - we're going to have any real success in terms of selling properties, and we're about to have our hundredth property sold.

And one of the things that we did really early on in addition to what, you know, the other folks have been saying: working with realtors, putting it on a Web site, things like that, but we also did really hand it off to our partners, because they're the ones that work in that particular neighborhood, and we - but we also partnered with them.

And so, once we got the first home done in terms of rehab, the various news outlets here in the area, they've been very active in tracking the various stimulus programs. NSP's been very high on their watch list. And so, we invited them to kind of come out and see what we were doing with the first home. When it was done with the rehab, they did a great story piece, you know, so, you know free advertising in a lot of ways through the news.

When we actually sold our first property, we've had opportunities for people that have bought our homes to be able to talk about the homes. And one of the things that comes up is the marketing of the green rehabilitation that we've been doing -- the energy efficiency, the value that that provides and really helps folks save cost.

And so, that's all kind of helped build onto itself, and we're now getting ready to, again, have another little, you know, news piece based on our hundredth home that's going to be sold. So, I think...

Female: ((inaudible)).

Geoffrey Ross: ...those type of things also go a long way in helping.

Marsha Tonkovich: Excellent. ((inaudible))...

Doug Swoger: Yes, and this is Doug in Los Angeles. The only thing - this is Doug in LA and I would add just one other thing and that's working with the local mortgage lenders and the loan officers that work for some of the banks, because a lot of times, you know, people will go in and get prequalified for - to go out shopping for a home, and it's been a great resource for us to have them market our homes.

And so what we do is we offer trainings to the loan officers and the mortgage lenders, you know, several times a year. And there're, literally, you know, tens of hundreds of them out there that know about our programs that they can direct people to if they feel like they can't afford a mortgage loan for a house on their own.

Marsha Tonkovich: Great. And so you said you do training sessions, so do you bring the lenders together or is it more like a webinar or how do you do it?

Doug Swoger: No, we actually - we're - we haven't quite gotten up with the webinars here. We do bring them here...

Marsha Tonkovich: Great, okay.

Doug Swoger: ...and train them. So it's not a - they not only know about the programs, but they also know how to process the loans through.

Marsha Tonkovich: Right.

Doug Swoger: So it makes us kind of a - more of a seamless activity and does not take long to process a loan.

Marsha Tonkovich: Excellent. All right, so we have a question from (William Beford). The home regs on rent limitations are incorporated into NSP. Is it enough to use the home affordable rent schedule for the area or would the rent also be limited to 30% of the household's annual income?

So the answer is neither home nor NSP require you to limit the rent to 30% of a household's income. You could. For the low home rent that would be an acceptable approach, but most people don't do that from a property management perspective, which is that if you - you know, if you cap rent at 30% of an individual's income, your cash flow goes all over the place if people move in and out.

So what most folks have done and what's acceptable under NSP is to defer to the home rents -- the high and the low home rents, high home rent's meant for people that's up to 80% of median and a low home rent's meant to be for people up to 50% -- and use those as a cap on the max rent or some other rent. You could use a tax credit rent. You could use other published rents for your community.

But you use that as the max rent -- the max lease rent -- minus utilities -- minus tenant-paid utilities -- and that's the cap. And if an owner wants to charge less than that, they could set a lower rent limit if you'd like, but you don't have to tie it to an individual's income. You can tie it to the published home rent or tax credit rent or FMRs or whatever you might use for you community as the max rent. And again, you, the grantee, define that in your action plan when you define affordable rent.

Yes?

Peter Werwath: It's Peter. Some grantees have chosen to tier the grants...

Marsha Tonkovich: Yes.

Peter Werwath: ...some at 30%, 40%, and 50% AMI to reach a broader spectrum of needs.

Marsha Tonkovich: And you might - if you want to do that, what you might do is ((inaudible)), because most states, for the tax credit program, have those kinds of tiered rents, because they tend to have rating factors, which allow greater points for lower income targeting. And so, many, many states across the country publish an annual rent at 30%, 40%, 50% for the purposes of the tax credit program, so you could do that if you wanted to use those rents at as well.

Peter Werwath: Marsha, a clarification, one does not have to use the high home rent as a standard. One needs to use the home method. Conceivably if it's not a set-aside unit, the rent could go to 120 AMI couldn't it?

Marsha Tonkovich: It could, and so, again, there's no one answer here about what the right answer is, and you could - there are other rents that you could use -- the HUD published FMR. You could use the ((inaudible)) tax credit rents, which tend to be higher than the home rents in most jurisdictions.

You know, you - whatever methodology you want to come up with for what is deemed and affordable rent in your community, and as Peter said, you could have a different rent for people at 120% as opposed to people who are at 80% or 50%. It's your call on how you want to do that, but my recommendation to you would be to come up with a methodology that's published every year by somebody else -- so by the state, by HUD, by IRS for tax credits, whatever it might be, or the state for tax credits, really, so that you can just simply defer to that. You don't have to calculate it every year.

Peter Werwath: Yes, the point I wanted to make is there is a lot of reference to high and low home rents, but the - when NSP adopted the home rule, it was not that literal. It was the method...

Marsha Tonkovich: Right.

Peter Werwath: ...not the AMI level.

Marsha Tonkovich: Exactly. Okay, so let's - we have a couple more questions from - one from (Jorla). Is anybody does lease-purchase program, and how is it working? Do you use a separate property manager? So to our panelists, is anybody trying lease-purchase?

Kate Blood: Hi, this is Kate from Wisconsin. We do have a couple grantees that are using lease-purchase. They are tracking the leasee as they go through the 36 months.

It's working well. These are our sub-grantees who have already had a lease-purchase program that they're worked with. They're well aware of how to run it. They've got benchmarks so that they know as they're renter is moving the 36 months whether or not in fact they will be able to get a loan at the end of that time.

For sub-grantees who have not done it before, it tends to be a fairly labor-intensive process that - with a lot of hand holding that a lot of them are not interested in taking on, because it does mean that for 36 months you're really tracking this person and having to have very close contact with them to make sure that you have a viable resale at the end of the process.

So what we've found is that it works best for those sub-grantees who already have either this program going or that they can work with another entity that is used to working both with the renters and then working with them to get them - their capacity up to be able to buy.

Marsha Tonkovich: And Kate, how do - do you know how do your partners, how do your grantees, do the property management of those lease-purchase units? Do you know?

Kate Blood: You mean, how do they pay for the various...

Marsha Tonkovich: How do they...

Kate Blood: ...operating costs?

Marsha Tonkovich: Well, you know, in the period at which it's still a rental unit before it's actually transferred title to the owner...

Kate Blood: Yes.

Marsha Tonkovich: ...or to the homebuyer, do - and it's sort of scattered site rental management is what they really want to do, how do they do that?

Kate Blood: Well, typically what they do is they transfer most of the responsibilities for the property over to the renter. So all of the various property management operating procedures that a property manager would do are now the responsibility of the renter. So operating cost and responsibilities for the most part go down. It's less the property management and more the renter management.

Marsha Tonkovich: Okay.

Kate Blood: So they're more concerned with making sure, in fact, that this person is maintaining their credit score, that they know how to set money aside for the replacement and operating costs, that they're maintaining the property, you know, shoveling the sidewalk, mowing the loan, and that sort of thing. So there is a lot of capacity building.

Marsha Tonkovich: Any of our other panelists trying lease-purchase?

Anne Chaney: Well, we are doing lease-purchase in Kentucky.

Marsha Tonkovich: And Anne, say a bit about how it's working.

Anne Chaney: Well, it's actually it's working very well. I'm not sure how many other folks. We have a number of non-profits, obviously, that are HUD approved and do homebuyer and credit counseling, but as we began nearing the marketing phase of our NSP1 program, we saw the minimum credit score for folks climb to 620 and into 640. And so, folks that were previously mortgage ready suddenly were not.

And so, lease-purchasing becomes an important component and tool at your disposal. The agency that we work with that does lease-purchase very successfully has experience running that sort of a program and has done so very well. And so it maintains ownership of the property during the lease phase and does its own property management.

As part of their program, they escrow a portion of the tenant's rent payment and eventually save it on the client's behalf for down payment and closing costs.

Marsha Tonkovich: Yes.

Anne Chaney: They also work very hard to match the anticipated PITI, principle, interest, taxes, and insurance, to the lease amount to prevent sticker shock. And so it's much more of a holistic method of dealing with someone who was mortgage ready, and then, you know, due to market conditions, suddenly is not, or someone who may just have a couple of issues that need to be ironed out. But we find it to be a very good tool and one that's working very well here in Kentucky.

Marsha Tonkovich: Excellent.

Anne Chaney: There is a big caveat. For anyone considering a lease-purchase program, please be mindful that the tenants in a lease-purchase notice need to receive a move-in notice under URA, because otherwise, if you have to evict for programmatic non-compliance, they are entitled to relocation benefits.

Marsha Tonkovich: Right, right.

Anne Chaney: It's not eviction for the cause.

Marsha Tonkovich: When they moved into the lease-purchase situation...

Anne Chaney: Right.

Marsha Tonkovich: ...they do need to be notified in writing that should they fail to comply with the - whatever the terms are for a lease-purchase agreement, the 36 months and the whatever amount you expect them to pay and everything else, they will be asked to leave and they're, therefore, not a displaced person when that occurs.

Anybody else on the panel who is working on lease-purchase?

Stu Hershey: Marsha, this is Stu Hershey. I want to remind people that there's a toolkit now on the NSP Help Web site, specifically for lease-purchase. It has sample documents that I found useful and have referred others to. If you just Google "HUD NSP toolkit," you'll get to the toolkit page and lease-purchase will be listed on the left.

Marsha Tonkovich: Thanks, Stu. All right, and so, (Caity), do we have any last questions on the phone?

Operator: We do not have any questions in the queue at this time.

Marsha Tonkovich: Okay. Well, it's just about 4 o'clock, so we're going to go ahead and wrap up this webinar. I want to especially thank all of our panelists. They did a terrific job, and I really - I feel like I have learned a lot from them and this - as I mentioned when we first started, this is the first of our peer-to-peer webinars where we've a chance for you guys to talk to each other and ask questions of each other.

We're curious to know whether you guys found this useful or not and whether you would like us to continue some peer-to-peer-- on an occasional basis to have some of the webinars to be peer-to-peer. So when you do your evaluations, and I'll show you the evaluation link in just a moment, please let us know if you found this helpful and would like us to continue.

So with that, I'd like to especially thank our panelists. You have a slide that's up and you can also download the slide if you would like which has the e-mail addresses of your colleagues. So they've graciously agreed to help answer your questions, so please feel to contact them and share your questions with them.

And with that, I want to just leave the evaluation survey link, so here it is, and you'll get an e-mail after the webinar to ask for you feedback. Please provide it. We send the summaries to HUD, and it helps to shape the future webinars. Let us know other of the topics that you'd like.

Again, a special thank you to our panelists. You guys have terrific programs and appreciate all of your help. And I - with that, maybe I'll turn it over to Hunter or David to do our closing.

David: Okay, thank you, Marsha. I really appreciate you putting on this webinar, because I thought it was a good opportunity for us to get as many grantees across the country as possible to just talk about what's working, what's not working, what are the issues, and build some connections. I'm glad to see that some of you were exchanging contact information and plan to follow up with each other. And hopefully, we can continue to do this in the future.

I'm really interested to find out what some of the other topics are that we can cover in the peer-to-peer, if we should do this on a regional basis or stick to the national basis. But as Marsha was saying, as you use those evaluations, please give us your feedback, because we do want to make sure that we're addressing your needs as best as we can and designing our products around those needs. So thank you, everyone.

Marsha Tonkovich: Thanks everyone. And again, thanks to our panelists. And everybody travel safely in the snow if you're in the snow-belt here. Have a good weekend, everybody. Bye-bye.

Female: Thank you.

Male: Thanks.

Female: Thank you.

Operator: And again, that does conclude today's conference. We thank you for your participation.

END