NSP WEBINAR

Open Forum Q&A

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John Laswick, HUD
Jessie Handforth Kome, HUD
Dionne Roberts, TDA

This Open Forum Q&A Webinar is intended for NSP1 grantees/NSP2 grantees/Partners/Developers seeking information on the Neighborhood Stabilization Program. This Webinar provides information on a variety of NSP topics including eligible uses, reporting, federal requirements, procurements and other issues that have arisen.

Dionne Roberts: Well, good afternoon everybody, this is Dionne Roberts, from TDA. I want to welcome you to our Open Forum this afternoon where you'll be able to get your questions answered by HUD Headquarters staff that are joining us and I want to thank you for participating. I wanted to first acknowledge who our presenters are for the day. We have John Laswick from HUD and we also have Jessie Handforth Kome.

Dionne Roberts: Thank you very much, as I said my name is Dionne Roberts and the three of us will be moderating this session today. As well as Lucy Cook who will be managing the questions and Lucy if you could just give folks the sense of how to ask their questions on this call.

Lucy Cook: Okay, thanks and very simple, in the Q&A section up at the top of your page towards the left hand side, when you click that you will see that there is a little hand icon on the right hand side. Just when you have a question, just click that and it will show up and we will call on you in the order. We ask you then to please un-mute your phone, star six, you can ask your question, have the conversation with our panelists and then when you're finished lower your hand and please re-mute your phone. Thank you.

Dionne Roberts: Great. So as Lucy said go ahead and use the raise hand icon and if for some reason you're not able to do that, you can also use the chat option, we have that option as well and we'll be making sure that we get to those that raise hands as well as questions that are outside chat. So we're going to keep track of each of those and make sure that we're able to get to your questions.

The first thing that we just wanted to talk about was some new information related to HUD Headquarters and the NSP team that has been put together and John did you want to speak to that today?

John Laswick: Yes, thanks. We will be publishing this on the resource exchange too so you don’t have to take notes and we'll have some contact information but just over the last couple of weeks we've finally you know moved the -- finalized the direction we've been moving into, organized a number of people into an NSP team that's focused exclusively on the program. I have been made the team leader and so I'll be trying to keep everybody moving forward. The David Noguera's known all to all of you and he's in Chicago today or would otherwise be on this.

David will be leading the policy development and publication efforts as he pretty much has done all along, every -- I think everyone on the team has been involved to some extent probably half the time or more in NSP activities so I don’t think there will be a whole lot of new names but Steve Callahan has been kind of coordinating the technical assistance that we provide through the TA Grants that we have and he will continue to do that. He will do some grant management. We have different -- four different national NSP2 grant. We call them national grants because they're -- they cross state lines. Steve has one of Chicanos Por La Causa and then he will be also doing some policy work if he has any time left from his other responsibilities. I have also been trying to organize people according to our regional office lines so that you have a single point of contact.

Okay, so Steve will be handling the New York Region 2 and Region 3 of New York and Philadelphia. Jennifer Hilton I think most of you have probably worked with over the years. She's been actually involved almost since the very beginning of NSP1 and will be coordinating operations which means things like grant awards, grant amendments, as well as continuing to do work on policy issues as she has all along and she manages one of the national grants and I think it’s the

Community—No, I always get them mixed up, Self-help and she'll be handling the Atlanta region which includes Florida. And then Hunter Kurtz who has been coming more and more into policy development work with us. He has been handling a lot of the debriefings for the NSP2 grants that did not get approved and he will -- he handles the Community Builders Grant which crosses a number of states. His territory will include Kansas City regions and Denver and Seattle regions. Ted Massey and Paul Patterson have both been working on technical assistance as contract, working on the contract side. Both of them have local and non-profit government experience, pretty well exposed to policy along the course of these last year or so. They both started last summer. They will continue to focus on FTA and we're going to move them more into policy to the extent that they have the available time. Ted's going to be working with the San Francisco region which includes California and Arizona.

Paul is going to handle Chicago which is the upper mid-west and then Geri Santana who's also been working with us for a while, excuse me, handles the Habitat for Humanity's International Grant. She's been doing reports, she's been doing policy development and she'll continue to do both of those. She will be also be handling the Boston and Fort Worth regions. We have another person who's not listed here named Ryan Flannery who hasn't even started yet but we are hoping that he will become an expert in DRGR so that we have some, some pretty fulltime type of support there but you're not allowed to call him yet. So, so we will be getting this list published probably early next week on the Resource Exchange with email addresses and that sort of thing so that if you're in Michigan and you don't know what to do, first call Paul Patterson or send him an email if you have a specific questions.

We've been trying to really push people towards the Resource Exchange for asking questions and I think we're down to really just a handful of, of questions that are coming into our old NSP mailboxes and we'll probably be shutting those down pretty soon. So we have been shifting over to have some of these folks working on the policy questions and in the interim they have slowed down a little bit and I apologize but I think we're already kind of back up to a pretty good pace. So Hunter's been in there swinging hard at a lot of pitches and I think we're going to be in pretty good shape there. So hey, we're -- I'm very pleased you know I think you know Jessie and Stan have been really supportive about this. Yolanda has been very clear that she wants us to you know get -- be even better.

And so I believe that we have good people, all the other managers on this floor appear to be jealous, so I felt that's a good sign and so I, I think we're going to be you know still working on organizational issues for a couple of weeks but I think we're already making progress and I'm confident that we're going to be able to provide even better support as we go forward. You know where it looks like we're likely to get an NSP3 as part of the Financial Reform Act actually and that looks like it's going to go, so...

Dionne Roberts: I think it passed the Senate already, so I think we're good to go, we just have to wait for the President to sign it, maybe some time early next week?

John Laswick: Yeah, and then we get thirty days to publish a distribution formula with a formula...

Dionne Roberts: Right, and the funding is not available until October first anyway, but we have to do a bunch of stuff you know behind the scenes to move money out of here. But they'll announce the amount thirty days after the enactment.

John Laswick: Right, so it's a slightly different formula and we're trying to keep up with the reality of where the foreclosure crisis is. It's, it's similar to what we've used in the past, it's updated, focused, I think. We -- you know we're still working that out, but I mean you know it's not going to – you know the, the troubled areas haven't really changed so we don't expect to see major you know shifts around regions and things like that. But we'll have something out probably late August at, at this point so.

Okay, so if you know if you want to ask questions later about this I'd be happy to talk about it, but I, I, I feel really good about it, I'm pleased to be selected. I think that we you know as, as we get more and more of responsibilities and you know there's always slight variations between ones and twos and threes you know then it just kind of gets a little more complicated for everybody, and we want try to simplify that for you as much as we can. Then let me just mention a, a phantom team member here. I, I just got word of this yesterday, a little more specifically. I know many of you have worked with Hugh Allen who was heading up the NSP2 grant selection process. Hugh has, has been has taken quite a few weeks off to raise funds on a forty-two hundred mile cross-country bicycle ride. His son-in-law contracted melanoma a couple years ago and so he's, he's riding his way across America. He is in Wyoming right now. He has grown a beard, and if, so, if any of you know Hugh and want to see a picture of him with a beard, send me a note, and I'll send you the -- there's a blog address that you can look at, look up for him.

The other thing I want to mention is that we are scheduling next week's webinar. We're moving to one a week webinar schedule now and they'll be Tuesdays through the end of August and the first one is next Tuesday at two o'clock and we will have Doug Lynott from the FHA office as well as some of the people from the home ownership centers, couple of home ownership center people from around the country and a couple of people from the NSP side to talk about FHA's First Look Program. It's a sales model that they're, that they've put in place. Diane LaBosso in CPD, has been tremendously committed to getting this done with FHA and I think I certainly have been really pleased with how well it's gone. She's done well, Doug's been great. If, if you've taken a look at this program it's about as simple as you could get and so I think we're all happy that that's finally in place. If you want to learn how to work it, how to get signed up, how to play the game, join us on Tuesday at two o'clock Eastern time. Okay

Dionne Roberts: Great, thanks, thanks John and I think that's really important to understand because some information already came out on the NSP website, but there's a lot more that will be made available through that webinar, so we encourage you to take advantage of that. I think that's a lot of new and up and coming and what's coming down the road. So let's go ahead and talk a little bit about what some of the most recent frequently asked questions are. As you know if you've participated on these calls before, what we usually do is pull a couple of FAQs that are most recent, and reflective of the kinds of things that a lot of people across the country are asking. And we start with those while we're waiting for you ever so anxiously to raise your hands and ask your questions.

So if you do have questions on your mind or you're waiting to get into the queue, now would be a great time for you to go ahead and, through the system, raise your hand or I'll answer your chat question and that way we'll know when we should go ahead and stop with the FAQs and start going to some live questions. But all these FAQs do come from the NSP help site, which you can use. You can go in if you've not done it before and search for answers based upon specific search words, topic areas. So we encourage you to use it and we certainly look to it to get a sense of what's going on out there in the communities and what the, the most recent concerns are. So, not surprisingly, given the fact that obligation is hot on everybody's mind right about now, the first FAQ is a question related to what happens if a grantee is fully obligated, they've obligated their hundred percent of funding within the deadline, but they have a project that comes in under cost?

So, for example, say they had obligated a hundred thousand dollars to that particular project and the final cost of it ends up being ninety-five thousand. What is it that actually they should be doing with that five thousand dollars in terms of; will it be recaptured by HUD? Can they reallocate it? And John and Jessie, I think this is a question that is of great concern to everybody, especially those who are obligating rehab dollars where you know it's not as, as fine a needle to thread as perhaps doing an acquisition.

Jessie Handforth Kome: Okay, this is Jessie We are going to be putting out a notice with some changes to the original October, 2008 NSP1 notice and it's going to have some additional detail on the corrective actions related to the eighteen month deadline including recapture and reallocation information. Until then, what I'll say is we were aware that some projects aren't going to be exactly what you initially budgeted when we gave the guidance that allowed the contingencies to be budget -- budgeted and CDBG land about a ten percent contingency is up to about a ten percent contingency is, is common for an activity budgeted within the activity. So it's something that we're aware of and we're certainly not going to punish people for following standard industry practices. That said all our leadership takes an extremely dim view of obligations that are entered into and then -- just to meet the deadline and not because you really have a project that you really want to do. And we're going to be attempting to differentiate as you know, after we've passed the deadline over the next couple of years as we head towards the expenditure deadline

John Laswick: But in, in the meantime at some point they'll be able to di-obligate that five thousand and you know if it was obligated in good faith and we've accepted that, they'll be able to reprogram that to a different kind of project.

Jessie Handforth Kome: They should be doing that on an ongoing basis, obligation deadline or no obligation deadline, you should as soon as you know a project is going to cost less you just go into your action plan and amend it and change that project budget free that money to be obligated somewhere else.

John Laswick: Okay, well I'm sure we'll get some questions on that later. Want to move to the next one, Dionne?

Dionne Roberts: No, I think you're absolutely right and I'm sure we'll be getting the questions momentarily. I think what's important to note is that you're aware of the, the concerns in the field and the guidance will be coming in terms of exactly how that will be handled related to the 18 month deadline. I do see that we now have a number of questions in the -- that have been submitted through chat, so Lucy, did you want to go ahead and make those folks available to either ask their questions or have their questions read?

Lucy Cook: For sure, thanks, Dionne. We have a question from Anne Cashmere. Anne, if you'd like to ask the question you can un-mute your phone with star-six.

Anne Cashmere: Yes, thank you. Under DRGR, when answering the question how many properties -- I have a question. If I have one building which is on two lots, two different portfolios, and has two different addresses, do I enter one or two property into BRGR?

Dionne Roberts: Are they single-family properties?

Anne Cashmere: No, this is a multi-family project that's over two lots.

Dionne Roberts: And it has -- but it has -- and it actually has two mailing addresses?

Anne Cashmere: Correct.

Dionne Roberts: Pick one and put the other one in the narrative.

Anne Cashmere: And I would then put in one property?

Dionne Roberts: Yes, because it's one, is it common ownership?

Anne Cashmere: Yes, it is just one building, it just happens that they have it on two lots and thus, has two addresses.

Dionne Roberts: That happens in New York a lot by the way. If it's something that we just deal with. We're eventually going to be trying to map the space on the, on the address fields if we can ever get the duplicates out of there and so it is possible to enter more than one address for an activity. If you do it for a multi-family activity you can do that too. Let your rep know that it really is one project and that you have one of those it's just in that odd situation where the postal service has given it two addresses.

Anne Cashmere: Okay, thank you.

Lucy Cook: Okay, Anne, please remember to mute your phone again. We have a question from Andre Bernard. Andre would you like to ask your question? Star six will un-mute.

Andre Bernard: Yes, question. Uh, the question is for NSP2, is it okay to use an Eligible Use E for vacant properties that are not abandoned or foreclosed while also working on -- we have a minimum of a hundred abandoned, foreclosed properties we have to do. Can you do them both simultaneously?

John Laswick: You can do that. You, you know you're, you're hundred units is kind of a threshold you know minimum but you know Eligible Use E is available to you for certain types of things so you know you've, you've got to end up with housing on it. But you know I think the -- I don't know maybe Jessie can talk more about the difference between the hundred units of, of existing housing and the hundred units that you will actually produce you know we have to deal with the hundred units of abandoned and foreclosed but you know we want you to have the biggest impact that you can you know given the minimum threshold.

Andre Bernard: Are you required to do the hundred abandoned and foreclosed first prior to going to Eligible Use E?

John Laswick: No.

Dionne Roberts: But you need to make sure that you and your rep are comfortable that your budget will deal with more than a hundred units. There's a few grantees that are cut really close to the line.

John Laswick: Well, it all depends -- it depends on your, your program and your budget so you know you want to go over it but you're, you're not absolutely prohibited from doing that but you need to be comfortable that you can make that minimum number.

Dionne Roberts: Right I mean we have at least one grantee who's -- I saw the projections, is projecting like more than a thousand units and I think we actually have one who's projecting more than two thousand units. Clearly they're going to make more than a hundred if they need to go off and do something else. In parallel you can handle multiple things going at once, more power to you.

Andre Bernard: Okay. Demolitions, we were told that demolitions can count toward our hundred properties, is that accurate?

Lucy Cook: Next question, Norman Henry. Norman would you like to ask?

Norman Henry: Yes, I was asked a question as a sub-recipient, can we as a choto [PH] obligate funds to ourselves as the contractor for new construction purposes without doing a formal bid process? If we're building homes ourselves?

John Laswick: So you've got your own in-house construction capabilities? Virtually?

Norman Henry: We have a job training program too so we, we, we try to use new construction as a way to help with jobs in the community. So we have in-house capabilities to build the homes ourselves.

John Laswick: Yeah, you, you, you can obligate those by, by providing detailed estimates of the cost of construction and -- because any -- some cities do this too and not, not that many anymore but if, if, if the in-house -- you know there really isn't any way to show a contract for something that you're going to be doing yourselves but you need to, need to have a good solid estimate of the cost at which point you can consider that obligated.

Norman Henry: Okay.

Dionne Roberts: There are some guidelines for cities that, that do this themselves. That applies to sub-recipients as well.

Norman Henry: Right.

Dionne Roberts: And the thing about having the detailed cost guidance is also important because if you don’t compete out construction, you should do some form of cost analysis to show you know, basically underwriting the project and getting cost estimates to show you've considered cost and you've done what you can to control costs.

Norman Henry: Okay, so we, if we have bidded it out, um, the work and we can show that we're below the normal market place. You know bid process for example that will be sufficient to show that we have considered the market cost?

John Laswick: I think that's one way to do it sure.

Norman Henry: Okay, but we're just trying to make sure we have documentation.

John Laswick: Right.

Norman Henry: That's sufficient for the grant recipient that's satisfied them that we have done that and…

John Laswick: Right, right. Uh, just like this first question this recent FAQ question you know, these obligations become you know, the exact amount of these obligations, become pretty important so you don't want to be you know swinging around too wildly but we, we, we know that there's going to be maybe some, some flex in those but, but the other thing that you can do is you can obligate at the same time any of your activities delivery costs. The, the project administration that, that's involved with those as well as any contingencies as Jessie said. So and, and those of us who found rehab know that contingency is always a useful thing to have when it -- in a rehab project.

Norman Henry: Exactly. Yeah, because on new construction for example you don't know what the costs are going to be sixty days from now, ninety days, the market changes our material costs. So you're saying in the, in the project activity costs we could build in a contingency?

John Laswick: Yes.

Norman Henry: Okay. All right, thank you.

John Laswick: Okay, good luck.

Lucy Cook: Thank you, William Routon, you have questions? I'll read the question. Will the eighteen-month obligation deadlines be based on the actual contract date or will it be September 30th, 2010 for everyone because of BRGR?

John Laswick: No it's date, it's date specific. When you're contract was signed so some of them started in late August and a few stretch out into October. Most of them are in September sometime but there -- it's eighteen months from the date that the contract -- that, that, that HUD signed the grant award and so those are on different dates. So everybody has their own…

Dionne Roberts: That signature date though that's key, that's the first signature on the form, not, not, not the grantee's, it's the HUD signature date.

John Laswick: Right and we are sending out notices now. We have started to send out notices sixty days in advance of those dates for any grantee's who are below one hundred percent obligations at this point and actually there are upwards of fifty I think that are -- communities that actually are at a hundred percent or more. But for anybody below that number you'll be getting a letter that just advises you to you know be very careful in the next couple of months to try to get that wrapped up. And they're going to Mayors, right?

Dionne Roberts: Mayor's and Governor's yes and then we're sending copies to our field offices who are forwarding them on to program staff I believe.

John Laswick: Got it.

William Routon: This is Bill Routon, I just -- a follow up question, we're -- we've already done one round in Missouri of de-obligations and re-allocations among various sub-state grantees. One of the things that's come up is as we get closer to the final deadline, some of these grantees have kind of gotten out in front of themselves in the sense that they've acquired properties and obligated money for that. But they haven't yet obligated money for the related costs including rehab and, and other things. And as we get closer to that point where we're going to sweep any un-obligated money from them it, it, it bears reminding them that they, they don't want to be in that situation where they own properties and then have money di-obligated and not have any money for completion of the activity.

John Laswick: Yeah, I think it's a good point and I think it's a little trickier at the state level. I mean if you're -- if you're in a city for example and, and you know you can go heavy on acquisitions knowing that once you get your rehab program started and you'll have program income enough to keep doing the rehab of the remaining units. It's -- I think a state sub-recipient is a lot more constrained in that area than and you know it's going to end up finding themselves having to have pretty much everything obligated so how's that being -- so you're, you're doing a second round already? Is that what you're saying?

William Routon: Yeah, we completed one round and moved about a million and a half dollars and we notified everybody that we're going to do another sweep at the end of July. Sub-state grantees that can clearly obligate any funds that we pick up that way. But as we were going through it we realized because some of these are very small sub-recipients that they were going to get out ahead of themselves and like I said, wind up acquiring properties and then if we, if we picked up any unobligated funds they'd be left holding those properties with no money to do rehab and related costs.

John Laswick: Right, well, I think if you get the rehab going and then you, you're able to sell the properties and generate program income it, it's less of a problem but you know the, the more than you leave in a project or the, or the farther out ahead you get on the acquisitions, you know, say, you – the, the more likely you are to kind of run out of money. So there's a, there's kind f a fine balance that communities need to strike between, you know, getting the money obligated and over committing themselves to, to one activity and then not having the momentum to carry themselves past the deadlines, so…

William Routon: Thanks, John.

Lucy Cook: Okay, Shelly Adams, you have a question?

Shelly Adams: Yes, thank you. I had a couple of questions, but my first one deals with project delivery costs and whether or not the project delivery cost that the state of Georgia is paying to grantees, can be wrapped up into the calculation when determining the resale price of the home?

John Laswick: Generally, those are considered to be part of the total development costs, I mean, you don't have to do it that way, but you, you may.

Shelly Adams: Okay, we, through our program, are offering project delivery costs for the completion of specific tasks, which include acquisition, rehab, homebuyer assistance, and disposition. And we felt pretty confident that the acquisition, rehab, and disposition PDCs could be included, but just wanted to clarify that the PDC for the provision of homebuyer assistance could be as well.

John Laswick: That wouldn't be a cost of development...

Shelly Adams: Okay

John Laswick: ...that's a service type of thing and so… I mean, you could obligate it, but it's not – you can't add it to the cost. You also cannot add you know, temporary maintenance costs – mowing the lawn...

Shelly Adams: Right.

John Laswick: ...or whatnot – I mean, you could pay for those; you just couldn't add them to the price tag.

Shelly Adams: Okay, so just to clarify then, the PDC for the provision of homebuyer assistance cannot be added into the calculation of the resale price

John Laswick: Correct.

Shelly Adams: Correct. Okay. Thank you and just one other very quick question if I may. I've been trying to locate a tool online that will allow me to verify whether or not specific census tracks have the appropriate foreclosure risk rating and the only tool that I was able to get still had the numbers for the NSP2 program and we're dealing with NSP1. Is there any place that I can go to verify by census track number that that particular census track meets the minimum level of eight?

Jessie Handforth Kome: Hi, this is Jessie, and I've got that one. That data was essentially supplanted by the NSP2 data, which is from a different point in time and we're about to update it further with a much more recent run and probably keep updating it every quarter or so, depending on how often we can bump PD and R, our Policy Research and Development brethren, to take care of that for us. I would say, why would you want to go back in time to data that's more than two years old to make a determination about where to fund now?

Shelly Adams: Well, we have a couple of grantees that have asked, at the eleventh hour really, if they can expand their target area to include specific census tracks, and we just wanted to make sure that they were geographies of greatest need before we gave them the okay to do that.

Jessie Handforth Kome: I'd look at the most recent data, and really honestly...I mean, I don't see where it's a good strategic decision as a grantee to go back in time

Shelly Adams: Okay.

John Laswick: So, you can use the, you can use that map for NSP2 and you know the scores of eighteen and nineteen or twenty would give you that.

Shelly Adams: Okay, eighteen, nineteen and twenty if it's that rating, then it would be okay for NSP1 as well.

John Laswick: Right, and the other thing is, I mean, if you're – you know, I don't want to, you know, encourage amendments and expansions of target areas you know willy-nilly, but if you're doing one project that's a couple blocks outside of an existing target area, under NSP1, you have some flexibility to do that but NSP2 is much tighter but...

Shelly Adams: Okay.

John Laswick: ... you know so, I mean if it's a whole, if it's a whole new project area that they want to move in then obviously you need to you know approve that but if it's, if it's a single project that just happens to be slightly outside the original target area I wouldn't worry about it.

Shelly Adams: Okay, that's helpful. Thank you so much.

Lucy Cook: Thank you. We have Agnes Chambers. Agnes, would you like to ask your question?

Agnes Chambers: Yes, thank you. The question is, I wanted to know, can a nonprofit organization that's a developer who's doing a rental project use funds that were awarded to them under their NSP1 award to repair a property that is being donated to them by a land bank sub-recipient who used NSP1 funds to acquire the property? They're donating that property to the non-profit.

John Laswick: Okay, so, so a, a, a land bank has, has used NSP money to buy a, a house and they put it into a land bank and now you're basically trying to – you're going to help them take it out of the land bank and put it back into, into productive use, is that what you're saying?

Agnes Chambers: They actually acquired it and they've decided they're going to donate it to a nonprofit, and...

John Laswick: Right.

Agnes Chambers: ...the house needs some rehab work, so the nonprofit is also a grantee of ours. They'll be using NSP funds to do the rehab work.

John Laswick: Yeah, I, I mean, as long as you're, as long as you're going to end up with an eligible occupant I think that's a good thing to have happen you know we like to see that. You know nobody wants to see properties stay land-banked forever. So I, I don't see a problem with it. I think that you know, it was eligible when they acquired it you know now you're going to be you know to some extent its being in a land bank has kind of put that little NSP halo over it you know and I don't think that you know the fact that it's now coming out of land bank that doesn't knock the halo off. It's still, it's still an NSP property, so...

Jessie Handforth Kome: It would have to be disposed of for an eligible purpose, basically, or you have to sell it for fair market value and reimburse your program account and re-obligate those funds if you're not going to use it for something that meets NSP purposes.

Agnes Chambers: Okay, so in DRGR it's already been obligated for the acquisition portion... when the developer non-profit receives it to do their rehab work, we're also going to have to obligate funds for their portion of the funds that they'll need, so if, there's not an issue then.

Jessie Handforth Kome: No, it's a separate activity.

Agnes Chambers: Okay, great

John Laswick: Yeah, and you're going to be selling it to or renting it to an income-eligible household or family, I assume, so...

Agnes Chambers: Right.

John Laswick: ...that should be fine.

Jessie Handforth Kome: We've already realized by the way that the acquisition and disposition in DRGR, those two fields, they're not equal and they, they don't necessarily have the same properties in them, because if you do dispose by, by donation or by – you know, handing title over to a nonprofit or to a developer for a deal it -- you may not ever show a disposition activity, you'll just show acquisition...for that property, and the disposition is going to vanish into the next activity. If you're funding the rehab or funding the developer to take care you know do something with the property, or you're giving direct home ownership assistance, maybe down-payment assistance to you know a homebuyer who's buying it, the dispo costs, except for your maintenance costs maybe disappear over into, say, the word is elide. They, they, just don't show up, you just don't see them. It's like the E in vegetable that no one ever says, right? And so you – we say that what the nonprofit is doing is rehab but actually what they did was acquire for zero dollars rehab and they're going to dispose of it to somebody but we just call the activity rehab.

John Laswick: Would it be any cleaner Jessie if they just you know they donate – or they sold it for ten bucks or something like that just so they had some amount to track or...

Jessie Handforth Kome: No, I think it's clean. What's happening and the reason I've talked to this – about this before, about why you only put the address in when you've met a national objective with the exception of general acquisition is you know in a land bank, acquisition in a land bank, guys, is because we're using the addresses to see everything that happened to that property. We're going to have canned report inside DRGR that tracks that, so it doesn't matter to us if the disposition disappears, because we'll be able to see if you did something. Now if you do dispose private property for nothing to a developer that has their own money to do it or for a lot next door or something it's nice if you put that in your QPR narrative then just let your rep know.

John Laswick: The donation is, is perfectly acceptable and it's specifically mentioned in the, the…

Jessie Handforth Kome: The laws.

John Laswick: Yeah, the eligibility of, of, of -- definition of disposition you know sale you know disposition by sale, lease, donation, et cetera, et cetera.

Jessie Handforth Kome: But otherwise...

John Laswick: Right, so go forth and do it.

Lucy Cook: Okay, we have a question from Glendora. Okay I will read it for us. Is a first time home buyer who is receiving financial assistance for purchasing their own NSP eligible home is required to escrow the repair funds at closing? Can that amount be awarded to the homebuyer and obligated as a credit under financed mechanisms.

John Laswick: Escrow what? I didn't quite hear that.

Lucy Cook: Okay, the last part? If a first time homebuyer who is receiving financial assistance for purchasing their own NSP eligible homes is required to escrow repair funds at closing? Can that amount be awarded to the homebuyer and obligated as a credit under financing mechanism?

Dionne Roberts: We need this person on the line because there are two kinds of escrows. One kind is because its like two or three K and you know that the rehab is about to get done, like there's identified rehab and a work write-up in all of that, but the other kind is to sit in a long-term escrow in case that person ever needs to do repairs. And the answer is different depending on what kind of escrow you're talking about.

John Laswick: All right.

Dionne Roberts: If I knew what state I might be able to take a guess on what kind of escrow we're talking about.

John Laswick: It’s Florida. Yeah, I think, I think you're probably talking about a situation where you know they're going to be doing repairs in the near future. I think those are more common.

Dionne Roberts: Right.

John Laswick: And in that case they can do it. Glendora?

Glendora: Hello? --- Hello? Yes? Sorry I stepped away for a minute and I heard you going over the question. I was talking about repair escrows.

Jessie Handforth Kome: What is -- what kind of repair escrow are you talking about? There's more than one kind of escrow you know.

Glendora: Okay, well I’m not sure when you say what kind, but what I was referring to let’s just say we get the property and it’s a foreclosed property and it needs more than what the bank, the lender would let them go ahead with at closing without having to escrow I think they told me -- the last person I spoke with said it was like maybe over five thousand dollars or something but it varies from lender to lender. But in essence they require one and a half percent of the repair costs to be held in escrow.

Jessie Handforth Kome: If it’s a lender requirement and it's for a rehab that you're already aware of and you know what the items are going to be then yes, the answer is yes, you can go ahead and obligate it.

Glendora: Okay, I don’t mean…

Dionne Roberts: You need to try as its needed right? But you can, you can you know obligate it the normal way.

Glendora: Okay because I didn’t mean that you know like for what comes after the close. I meant what we knew of up front any repairs that we knew of up front and the lender will not let them close unless they escrowed the funds and then they repair it once you know once they close.

John Laswick: Yeah, that should be fine.

Glendora: Okay, okay, thank you.

Lucy Cook: Okay, the next question is Andre Bernard, Andre would you like to ask this question? Star six to unmute. Okay, can a NSPQ grantee for example consortium member redevelop vacant property under Eligible Use E as in Edward that was owned prior to receiving NSP2 funding.

John Laswick: That was owned, what? Could you, could you just repeat the last half of that one?

Andre Bernard: That was owned prior to the grant agreement being signed.

John Laswick: Um, okay, good question, so there's a couple of things at work here. One, the biggest one is the environmental review requirements. And the issue is that you know once you are planning to do a federally assisted project you need to treat all the activities as if they were federally assisted. If the property was owned prior to approval of -- prior to HUDs approval of the grant agreement, we have taken a position that you did not know or you couldn’t have known that you were going to be able to make this a federal project. I mean you might have been hoping that but you didn’t have any assurance of that so properties that work -- that were owned by the, the non-profit or who -- or anybody else of are eligible prior to January fourteenth two thousand ten for an NSP2. If it was acquired after that you really ought to have performed an environmental review prior to the acquisition if you want to put it into the programs. So with that…

Andre Bernard: An environmental review was done in accordance to Part 58 on this priority.

Jessie Handforth Kome: Is the NSP2 grantee a Part 58 Grantee? Are you a non-profit or is it, is it a governmental grantee?

Andre Bernard: It's a non-profit that’s part of a NSP2 consortium.

Jessie Handforth Kome: And does the consortium have the governmental entity in it?

Andre Bernard: It’s a co-op

Jessie Handforth Kome: Okay then you're okay. You'll have to complete the PAR 58 review?

Andre Bernard: Yeah, they already had the environmental that was done by the State Housing Finance Agency.

Jessie Handforth Kome: And it mentions NSP specifically it's going to pass muster?

Andre Bernard: Now that environmental didn't mention NSP but I guess we can do a new one.

Jessie Handforth Kome: You can amend it I think but you're going to have to work with your environmental officer, okay? Just make sure.

Andre Bernard: Is there any property prior to that?

Jessie Handforth Kome: I don't ever tip them off about these things but I'm telling you look at your exam on reviews and make sure they have the right words in them about the program.

Andre Bernard: Okay, okay. One more question as relates to that. If the property is owned prior to the NSP2 agreement but no environmental was done, can it be developed under Eligible Use E?

John Laswick: Yes it could be if it was prior to HUD's award of the grant, the NSP2 grant to the consortium.

Jessie Handforth Kome: January 14th.

Andre Bernard: Okay. Thank you.

John Laswick: All right so you've got the vacant property, then again you've got to do your hundred units and so if the vacant property is not also foreclosed or abandoned, then you just have to make sure you're going to make your number in addition to that.

Dionne Roberts: John, I just want to take a moment to go to one of the FAQ's that is sort of interrelated with that. Because there's been a lot of ongoing conversation not only about data purchases but also what happens NSP dollars only to fund a portion of the project and what applies you know, do the rest of the requirements apply to the FAQ says "the property is purchased out of foreclosure by a grantee or sub-recipient using non NSP funding, NSP funds are to be used to rehab the properties, so not to pay for the acquisition but just the rehab following." Would the purchase discount, including the appraisal requirement, apply to the purchase if funds aren't used for acquisition?

John Laswick: Right, we said last year that this was acceptable. Sometimes you'll get a property that's purchased by a potential homeowner that might bring it into the program too. And as long as the purchase of the property was clearly separated from the rehab, we've said that the purchase discount does not have to be paid. But then maybe you want to move to the next slide because that's one issue, then you have the environmental issue that we were just talking about.

Basically the same kind of timing, so at the bottom of this page it says in what order does environmental review release of funds, site selection and executing a legally and binding agreement after occur. So we all know that the environmental review has to be done, has to be approved, has to be signed off by everybody, that the funds have to be released. If you have a tiered type of environmental review process, you get that release of funds for the area, but then you still have to do a site specific type of assessment based on the property so you can eyeball a site but you can't really commit to it until you've gotten these environmental reviews out of the way including the site specific review. So you select a site, you look at it, you probably enter into a non-binding agreement that is a sales purchase contract with a contingency that allows you to finish up your due diligence and your environmental review and your costing of rehab and all the other stuff and then you can enter into, once you've resolved all those issues and got everything cleaned up, then you enter into your legally binding agreement. So you definitely don't want to get ahead of yourself with these agreements but we have approved language and it's available on the resource exchange for contingencies to deal with the environmental review. So moving back up to the top of this page then, ---

Dionne Roberts: And John, if I could just add one thing to that, I think what we've seen out in the field is that a lot of folks are very clear about the environmental requirements and making sure they don't make any choice limiting actions on their Use E and larger scale type redevelopment projects. But we're seeing a lot of purchase and sales agreements for individual single family homes that don't have those contingencies in them where you know, potentially it has other contingencies but if the environmental came back negatively, they don't, they're not building an out for themselves with those and that's something that's come up repeatedly because there're really a lot of folks relying on their real estate brokers and the private sector to bring those properties to them.

John Laswick: Right, so these would be properties, a house, a foreclosed house that was purchased directly by a city for example, not by a home buyer, is that what you're talking about?

Dionne Roberts: Right.

John Laswick: Okay, so yeah I think it's good to stress with Dionne, because we've been wrestling with this forever it seems like. We have a way out for you to put that contingency in but you've got to use that because if you limit your choices by signing a legally binding agreement, then you've basically blown it as far as the environmental review and you can't undo that. You know, once you break that egg, it's not going to go back together so…

Dionne Roberts: Right and then it doesn't matter if the environmental ends up to be okay---

John Laswick: No.

Dionne Roberts: ---the choice limiting action is a problem in and of itself.

John Laswick: Correct.

Dionne Roberts: So it's not something you can actually go back and fix?

John Laswick: So I think we actually kind of touched on this top one here with property maintenance and utilities prior to resale. You can pay those as part of disposition costs, it's an eligible NSP expense but it's not an expense that you can work into the total development cost and then pass along to the family that's buying the home. So it's eligible, it's not part of the sales price.

And then, my favorite topic, when is a good time to submit an amendment to expand my NSP2 target area; Next year probably sometime. We are going to be issuing a policy alert very shortly but we've just spoke with Yolanda about it this morning and we've been getting a lot more requests for amendments in NSP2 target areas than we anticipated and NSP2 is a much tighter type of process than NSP1 as far as target areas and really building your program around what is happening in your target area, to the extent that we've maybe sent a signal that it should be an easy process to amend your and expand your target area. We want to correct that misunderstanding because we are happy to consider amendments that will make your program go more smoothly such as adding a consortium member to do your environmental reviews or maybe substituting a census track. But anytime you start to add census tracks to an approved target area, you are almost invariably moving into a situation where you are deluding the impact of the funding that you requested. And so we recognize that market conditions change, we are not saying that we'll never consider changes to target areas, but we really want you to get your programs going and get some expenditures under your belts, see how things are working and then come back and speak to us in a number of months later. If it's some kind of emergency, we'll talk to you but we don't really want to spend a lot of time processing the expansions of NSP2 target areas at this stage.

Lucy Cook: All right, we move on with more questions. Okay, let's move on to how about Derrick Smiter. Derrick would you like to ask your question? That's star six to unmute.

Derrick Smiter: Yeah, we have a rental project that we're doing an acquisition rehab with NSP1 funds and so basically we're going to have a non-profit partner acquire it and they're going to have to do some extensive rehab and basically, it will be fully vacant it looks like. There're maybe two tenants in there but the property is in really bad condition. So we go back into rent opt and we logically need to have an operating reserve and I guess we understand that it's okay to fund that if it's needed to make the project viable, but we don't know for how long it can be retained in there if at full occupancy, and stabilized operating, it would have to be taken back or go into reserves or if there's any real, or if we just have all kinds of options with those funds. If there is some remaining after the thing is at full occupancy?

John Laswick: Well that's a good question. I don't know that, I was trying to get Paul to join us today but he's been busy with the 108 program sale. Yes, you may fund an operating reserve or replacement reserves if the lender requires it as part of the feasibility of the project. I would imagine that it becomes program income at some point if you want to take it out of the reserves. If you want to leave it in there, I don't see why that would be a problem because as long as you've got affordability restrictions for ten or fifteen years lets say, and you're going to end up using that on the property, I would think that's enough, you know, that'll continue to be an eligible expense.

Derrick Smiter: I can understand. You said replacement, well another issue we're looking at right now is for the operations.

John Laswick: Right. Well again, I mean, we can allow operating reserves too but the problem is that these funds can't pay, they're not allowed by law, to pay for ongoing operations of a, you know, the continuing subsidy, the month to month kind of subsidy, so you've gotta be careful that you're not talking about building such a reserve that it actually becomes a way to fund the projects, you know, that it becomes essential, that it's a reserve as opposed to something you can start using two months from now and plan to use every month thereafter.

Jessie Handforth Kome: Right, it's got to be, I mean the key pieces are; it needs to be required by the lender, or if you're in Maryland and a couple other states, it's actually required by the state at a set level. And when it is required to make this deal goal, then the CDBG rules will let it happen as part of the allowable costs for the rehab or new construction project, right?

John Laswick: Right.

Jessie Handforth Kome: But if you are trying to increase the level, a chunk of the HUD scandal back in the late eighties, revolved around fraudulent use of operating reserves and our auditors will watch for that stuff. You need to be careful, you need to underwrite your deal, you need to know why you put the amount in that you put in and it needs to have been required in order to make it even eligible.

John Laswick: Right. I mean, the other thing is when you're structuring this project, you know we don't want you to over subsidize a project but we don't want you to under subsidize it either. So you have the ability given, I don't know how much funding you've got, but I mean you can sort of write down the front end costs a little bit more so you're not just bumping up against a zero debt coverage ratio. So the reserve is one thing, it's kind of a rainy day type fund, but the other I think more important ongoing issue is, setting up a project to perform without having to resort to the rainy day fund except in real emergencies. And there you have the ability to put more in, to lower the debt, put more grant in, and that sort of thing to change the ratios around to the point where you actually have some positive cash flow and you can deal with these sorts of events. Okay?

Jessie Handforth Kome: And John I would just add to that. We've seen a number of projects where folks are targeting the special needs population and they're anticipating that the operating income generating from rent is going to be extremely low given the income of the folks that they're serving so we're really stressing to folks the need to try to get as close to and know that situation as possible and we've seen some folks put a building limitation on their program that don't necessarily serve the purpose of making sure that the deal is sustainable long term. So it's that balance of you don't want undue enrichment on the other side and then on the opposite extreme, you also don't want folks who are going to be struggling five years in or not be able to meet ongoing capital needs issues.

John Laswick: Yeah, exactly. I think that's a good point. So, don't over subsidize but don't under subsidize.

Derik Smiter: So at some point though it sounds to me like you're saying that they needed some "X" amount of dollars in their operating account,

John Laswick: Uh-huh.

Derik Smiter: So if that was there, we started with thirty thousand now there's like ten thousand dollars and they were at full occupancy, we could basically let them continue with that cushion of ten thousand dollars or would that "X" dollars could stay there, right?

John Laswick: Yes.

Derik Smiter: Okay.

Jessie Handforth Kome: Yes but a typical deal you do look at the operating reserve to see if the project itself at full occupancy can generate its ongoing operating reserve. If you contribute that ten thousand dollars in the bank and initially required you to draw and put down there to the project, again, just do your homework on why you left it there in order to keep your project solvent.

Derik Smiter: And if we determine that they could and then it had to be pulled out, would the money have to come in as program income or could it be transferred to reserves or would that be a…

Jessie Handforth Kome: It's a return of grant funds. But technically John, it's a return of grant funds. It's not income.

John Laswick: It's not income, okay.

Jessie Handforth Kome: And so you would show it in DRGR, it's pretty simple, you mentor action plan show that the money isn't obligated anymore. You're going to have to figure out how to…Mark has directions online for exactly how to do it if you've already fended it, which would have overdrawn it, but it isn't technically currently income. The accountants always take my head off when I say that it is so, …

John Laswick: Right, and well if you're a developer, I don't know, I think he just said partner but so I'm not sure but if it's a developer type relationship between the grantee then it's not programmed income more or return of grant funds.

Jessie Handforth Kome: The grantee would have to just make sure when you write your agreement if you want any funds like that to be returned to you, say that. It varies by housing market. In right hut housing market where rents are still fairly high and people can get jobs, there's a few places like that still in the United States, often you see these reserves returning. It's not true in very many NSP grantees, you've got to look at the property. Can it start generating its own reserves which a good property or well underwritten property does have an operating reserve, just a standard pad every year.

Lucy Cook: Okay, it's time to move on the next question. We have Clint has re-raised his hand. Clint, would you like to ask your question?

Clint Whiting: Yes, my city owns a vacant building and we are interested in using NSP1 funds to rehabilitate it so that we can have a non-profit, sub-recipient move in and provide public services to low mod, middle income households. Is that something that sounds feasible given that the city owns the building already?

John Laswick: Well, I think what we're more concerned with is whether the redevelopment and this could end up being a public facility it sounds like, and the public facility, whether it's a park or a service or whatever, is actually supportive of the NSP effort and if there's some reasonable connection between the kinds of services you're providing and the NSP target area and it's the need and that sort of thing. So if you're doing housing counseling or things like that would be one thing, if it's a, I mean a lot of that stuff would fit but do you have other NSP activities that you're undertaking in the area?

Clint Whiting: We do, we're acquiring single family homes, rehabbing them and then reselling them and the non-profit that we are in talks with would provide job training and career counseling services to help households to get jobs so they could pay their mortgages.

John Laswick: Sounds good. Sounds okay.

Clint Whiting: Okay. So the fact that the city already owns the building isn't an issue and that we were just using funds for rehab isn't an issue?

John Laswick: No, well is the city going to continue to own it or …

Clint Whiting: Yes. We continue to own it to use it in that way.

John Laswick: It's a public facility. You could do public facilities under Eligible Use E.

Dionne Roberts: And NSP1

John Laswick: NSP1, right. What he said.

Dionne Roberts: I just don't want the other NSP2 grantees getting their hopes up.

John Laswick: Oh yeah, now they're all drooling out there I'm sure. No, you're okay.

Clint Whiting: Thank you John.

Lucy Cook: Okay, our next question comes from Anne Cashmere.

Anne Cashmere: Okay, mine is not another DRGR question. In Strategy E I did an RSP for multi family developers and the tenant base could go up to 120% of AMI. I did not expect and I know under "E" that you normally under redevelopment can go ahead and get credit for your 25% set aside. But in particular, the two developers that came to us with deals under my RSP have it would just be supplemental financing to them and their tenant base, they're serving 33% of AMI and 60% of AMI. In DRGR, do I put my RSP 120% tenant base restriction in there or do I put that they are serving actually a low and a moderate income tenant base?

John Laswick: Well, it depends on the type property Anne, I mean you can do low income set aside units under Eligible Use E if the properties were foreclosed or abandoned. So if they started out or if these developers are bringing you properties that are foreclosed or abandoned and they quality under our definitions, then you can redevelop them under "E" and count the people towards the low income set aside. But if they aren't, then you just have to treat them as the 120% because we're not, the definition of the low income set aside links it to foreclosed and abandoned properties in the law.

Anne Cashmere: So even though I put under there that it was the LMMI, under the national objective, but where it says tenants served and it says household served and it has a breakdown for low and moderate I should just leave that blank then?

Jessie Handforth Kome: In the QPR you're going to tell us the actuals, right? So you're setting it up on the action plan side to show what you expect, and if it turns out differently you would show us in the QPR what actually happened, right? If you decide to change your restriction, you can do that if they're bidding for lower and you select them. It's your call, it's not something we're regulating. Now I'm going to tell you all something really fun that this question just reminded me of and that is, that the NSP3 legislation contains a statutory change to, I haven't finished analyzing it yet but it looks to me as if it's going to say that properties redeveloped under Eligible Use E, that all property types can qualify for the 25% set aside. I'm going to keep doing analysis on this, you may want to go run out and get copies of the bill. My understanding is it's in the conference report to the financial reform legislation down around page 2600.

Jessie Handforth Kome: Yeah, isn't that fun and it took us awhile to find it to.

John Laswick: No wonder I didn't find it yet, I'm only down to about 1450 or so.

Jessie Handforth Kome: Right, right, see that's the problem. You've got to work your way through it.

Dionne Roberts: Start reading it from the back.

Jessie Handforth Kome: Yeah.

John Laswick: That's it, yeah.

Jessie Handforth Kome: Basically, it's quite a bit longer than that but my understanding is that there are some retroactive to, for projects where funds are unexpended or unobligated, and we're going to have to detangle it and we'll be getting guidance out on that as fast as we can but we don't expect it to get enacted as we said, by The President until sometime next week. We're hoping, we haven't reset law. And those of you along with the formula amounts, we're going to have to just rapidly get the information out to people. Let me just say, what it actually says is, the reason that we can't quite get it yet is section 2301 F3AII of the housing and recovery act of 2008 is amended by striking "for the purchase and redevelopment of abandoned and foreclosed upon homes or residential properties that will be used" and I think that what that does, it just says 25% of the funds under each grant must be used for the set aside.

John Laswick: Hallelujah, so okay the people that showed up for this forum…

Jessie Handforth Kome: And it says that it shall apply with respect to any unexpended or unallocated balances including recaptured and reallocated funds and it goes on and on and on and that's another piece we have to do some quick research on but to me, it looks like that's been done now. That that made it through House and Senate so far and we're waiting to see what The President does.

Jessie Handforth Kome: So in that case Anne, if this is true then you would be able to count it towards your set aside. We'll have to get you some guidance on that in the next week or so, but that would be a nice little bonus.

Anne Cashmere: Well, I'm already at 40% so I really don't need it but I was just trying to be accurate in how I was putting it into the QPR.

John Laswick: Right, right.

Jessie Handforth Kome: Maybe we can come up with an award for grantees that do more than the 25% John, we could send them out something? Oreos?

John Laswick: I think one, it's like the *get out of jail free* card for monitoring and auditing.

Jessie Handforth Kome: Oh, that would be cool.

John Laswick: Yeah, I could turn that a lot faster.

Dionne Roberts: I think you just doubled the amount of luck that's going to result from this.

John Laswick: Well, we can think out loud, can't we? Okay, question.

Lucy Cook: Yes, Mike Clenard? Mike?

Mike Clenard: Hello, this is Mike Clinard with THGA in Nashville. I have a quick question about that BRGR and the obligation deadline. Staff is really curious about this. We're expecting a bunch of rehab contracts in about that date. I mean right before the obligation deadline for the State because we have a bunch of sub-recipients. Will there be any time like after the obligation deadline to reconcile BRGR with otherwise eligible contracts, in other words, we can get the budget set and everything?

Jessie Handforth Kome: Yeah, if you have… the answer is yes and no. Be very careful. If you can demonstrate that all of the signatures or whatever is required for your obligation document that was completed prior to your deadline date, then you will have thirty days, we're going to lock all the obligations, manually lock them in DRGR for anybody who is under 100% and we might lock everybody, we haven't decided yet. For obligations of your grant funds, but we will allow you thirty days to produce the documentation for your field staff, and they will review it and get back to us if they accept it, the obligations were timely, we will allow you to enter them.

Mike Clinard: Okay great. That's what we needed to hear I think.

Jessie Handforth Kome: It's what it says in the notice by the way.

Mike Clinard: Okay

Jessie Handforth Kome: The October 6th notice says it.

John Laswick: I think one of our webinars in the next few weeks is going to be dealing in much more detail with those kinds of issues too/

Mike Clinard: Okay, appreciate it. Thank you.

Lucy Cook: Thank you. Our next question is Ida Dunn, Ida star six to unmute. Hello Ida?

Ida Dunn: Our question here is we have asked our local lenders about financing and using FHA loans for the NSP properties but we've been told, we're like a sub-recipient of the NSP funds. Our lenders are telling us that would be a non-arms length transaction. Has anybody else been able to conquer that?

John Laswick: So, I'm looking at your question here, so you are a mortgage broker?

Ida Dunn: Well let me explain. The non-profit is community partnership. But we're part of the umbrellas Housing Partnership Incorporated. Housing Partnership applied for and was given NSP funds to work within this program. They would like for us to do the end-loans for the actual buyers of the property. What's happening is Housing Partnership's selling the property and then Housing Partnership would be the lender.

John Laswick: Hmm. So why do you need a third party lender then, I guess I'm a little confused.

Ida Dunn: I think that's what we're going to have to do is just find ourselves a third party lender, is that what…

John Laswick: Well, but if you're saying that one of the non-profits was in effect, was supplying the mortgage funds, maybe I'm misunderstanding you.

Ida Dunn: Well, we're all within the same group. My company, as I represented them to the lending division is called Housing Partnership.

John Laswick: Okay so …

Ida Dunn: So NSP funds were granted to Housing Partnership.

John Laswick: Right, so you're an affiliated non-profit and whose money provides the mortgages? Is that somebody else?

Ida Dunn: Yeah, the actual mortgages would be closed in the name of let's say, Wells Fargo.

John Laswick: Okay.

Ida Dunn: But we're the originators so our name is going to be in the file as the originators.

John Laswick: All right, well here's what I think might be going on with FHA. Insurance is that there is a restriction, but it's a limited one on non-arms length transactions when the seller cannot provide down payment assistance. But the way that we define down payment assistance is literally just, you can pay up to 50% of the down payments, so in the case of an FHA home, that might be
1¾ or 2% or something like that. Most of the subsidies on these types of homes are provided through the broader category of home ownership assistance which includes things like soft second mortgages, principle and interest write downs, closing cost and other things like that. All of those things are fine as far as FHA goes. The only thing they don't want you to do and they are prohibited by the housing economic recovery act specifically from doing this is to provide for the seller or in

this case, an affiliate of the seller it sounds like, to be providing any form of down payment assistance. So you have a couple of choices. One is to well, I guess as a non-profit, you only have one choice, which is to try to structure the deal in such a way that you don't provide them down payment assistance per se'. You can pay closing costs, that's not covered by this prohibition, you can write down principle and interest, that's not covered by the prohibition. I realize that by lowering the debt and paying part of the down payment are different things. Just because you have a lower debt doesn't mean you've got enough cash for the down payment but you could cover the same or similar amount of money by paying closing costs for example. So there's different ways to set that up but we have a, FHA did publish a announcement on this and it's on the resource exchange, I just found it last night myself, on FHA mortgage insurance and so I think that, what's happening I think is your lenders are over reacting to this one thing and what you need to do is understand that all this prevents you from doing is the seller or an affiliate of the seller are providing down payment assistance for the loan they are involved with. But you can do all these other things.

Ida Dunn: Okay yeah, the purchase contract can be the seller is Housing Partnership Incorporated. We as the lending arm can do the loan, obviously it's going to be underwritten and quality controlled by the actual funding lender, so do you know where I could find that publication?

John Laswick: Yeah, it's on the resource exchange so the one I always remember is www.hud.gov/nftta and then go into the find a resource section and then that gives you a bunch of places to write things in so put in FHA mortgage insurance, it's a publication, it's a memo that they put out in March of this year.

Ida Dunn: Okay, Thank you John.

John Laswick: And then sure, basically it says if your lender is still giving you a hard time about this, talk to the homeownership, the FHA hawk, but it specifically addresses this issue and then we put some additional guidance on it for NSP grantees so I think that's what's going on and I think it's resolvable.

Ida Dunn: Okay terrific, thank you so much.

John Laswick: Okay, all right.

Lucy Cook: Okay our next question Agnes Chambers. Agnes, would you like to unmute, star six.

Agnes Chambers: Yes, I have a question going back to when you all was talking about in the order of clearance and a legally binding contract.

John Laswick: Uh-huh.

Agnes Chambers: I did a TID Environmental Review and I got the release of funds.

John Laswick: Okay.

Agnes Chambers: And then next would be to do the site specific. Once they pick out site specific can I obligate funds before site specific environmental clearance has been issued?

John Laswick: No but you should be able to get that pretty quickly, but that's where it gets a little tricky with the TID1 because you're telling yourself well hey, I've got the funds released but actually, you've got the funds release paperwork out of the way but you still have deal with the site so what, in communities that are lucky and well organized and well staffed, which is hard these days, yeah, you might have a historic preservation officer that's working for the city or the state or you'll have a rehab specialist that's inspecting the project so between making an offer on a property or entering into a contingence sales contract and actually clearing those contingencies, if things are really working smoothly, you can do that in five days. But if you haven't done it, you need to do it first.

Agnes Chambers: Okay and my other question is say I have a property that's in land banking so I did an environmental on it and now they want to start doing rehab on it.

John Laswick: Uh-huh.

Agnes Chambers: So do I need to do a different type of environment on it? First it was exempt because all they did was buy and left it as is.

John Laswick: Right but now you're doing rehab and not leaving it as is so you will have to do another update on the project that's rehab. You know, the first project that you reviewed the environmental was for the purchase. I don't know what your tier one looks like, maybe it's already covered it in there, but you still, at a minimum, there will be some level of review because you're going to look at where's the property, is it in the floodplain, does it have any historic implications, you know we don't want you to go out and rehab, I mean you can buy a house that's historic but then if you start to rehab it, you're getting into different territory.

Jessie Handforth Kome: The key phrase to remember, the way environmental staff talk about it is if you're taking a choice limiting action you need to make sure it's an action that you covered in your environmental review. So the choice limiting action differ if you're going to acquire a property and you don't know what you're going to do with it yet, and when, or if you acquire a property and then you're going to rehab it based on a spec that you have worked up, clearly the rehab has more choice limiting options involved in it, particularly the historic people react to that one. So they're not the same environmental review, you can't just transfer one to the other.

Agnes Chambers: Okay, thank you. And at the realtor you said that even though I did a tier environmental I need to go back and get site specific clearance.

John Laswick: For the individual. When you're acquiring, even when you're acquiring, correct. You do.

Jessie Handforth Kome: What the tier review does is just move out of the way. You basically go through and say you know we're not in a coastal barrier zone, we're not in an area that's a historic district although when we get the site specific houses, maybe we'll find one or two that are site, or maybe have historic. We are in a floodplain but we're going to take this specific mitigating action which is require flood insurance and maybe elevate the home or something like that. You get that all done in the tiering and then your individual properties you have to deal with whatever the individual characteristics of that particular property are and you should, tiering just does that individual list down to a small number of things instead neat and needing all fifteen or twenty related laws.

Agnes Chambers: All right, thank you.

John Laswick: Get you out of those waiting periods too for…

Lucy Cook: Yes Anne Chaney, our next question. Anne

Anne Chaney: A couple of quick questions I guess. If the snapshot reports for six-thirty have been issued then I missed it.

John Laswick: Last I heard they were coming out today. Jessie might know.

Jessie Handforth Kome: Yeah, they're moving on them. We're in the process of bringing them in house and so this time around they're going a little slower because our HUD staff, some of my staff are ghosting behind me. I see a staff who's a TA provider, contractor whatever that is producing them. And it's introduced a few delays when you teach all these puppies how to do things.

Anne Chaney: Okay. I actually had two quick questions and then maybe a lengthier one. But my other quick question is you all had requested addressant unit, addressant information in relation to census track risk scores earlier this year, I guess to do some mapping to see if folks were in compliance with their areas of greatest need. What is the status of the mapping and will that be shared with the NSP grantees?

Jessie Handforth Kome: Well I'm missing the demo to come to this webinar with you guys. It's up and running it looks beautiful. I actually went to an earlier demo because I didn't want to totally miss it and it's with the coming of the first look program, then some of you may have seen that the office of the controller the Corensee [PH] has put out a proposed rule that will give CRA credit, Community Reinvestment Credit to lenders for investing in NSP areas. It's becoming really, really critically important that we get that up and get it accurate. And my understanding is it's on the brink of going live.

John Laswick: Yeah, I saw it last week too. It's not as slick as the NCST stuff has become but the real value is that that becomes a hugely facilitating type of tool for the first look program and then hopefully other lenders will use it, we're already hearing from them actually, so if they say well I can get CRA credit or I've got a house in this area and I want to know if that's part of your target area, I'll just be able to go and click on these maps and find out. And that's how the first look is going to work too. They're going to filter before they even post these things. Anything that's in an NSP target area, anyplace in the country, then a new FHA repossessed home REO property is coming in the market, anything that's in an NSP target area that's listed on these maps is going to be reserved for the exclusive bidding of the, well not bidding but the exclusive purchase option of any NSP grantees or sub-recipients in that area.

Jessie Handforth Kome: For a set period of time, a limited period. You have to act fast but it is fast rush.

John Laswick: Yes, right.

Anne Chaney: And that will certainly be helpful. We're sitting here and 94% obligated and so fortunately most of our folks have already identified units, but we would like to use that in making funding decisions in relations to program income.

John Laswick: Right.

Anne Chaney: I guess the other issue and I'm glad Jessie's on the line because it's DRGR related, and frankly I'm just either confused or confounded and maybe both.

Jessie Handforth Kome: Oh, that's what I've been too.

Anne Chaney: Kentucky is doing about three hundred and twenty units, most of which are single family home ownership and our housing partners has tentatively identified which of the units are for 50% and above and which ones are likely to be sold to households with incomes below 50% and that's generally based on affordability analysis. The real thing at the end of the day is the authorizing legislation doesn't ask us just to obligate 25%, it says we have to spend 25%.

Jessie Handforth Kome: Exactly. Around sometime in March, 2013, that's where you're going to have to be, right?

Anne Chaney: Right. And what we have is a best guess at this point of which units true, they're all truly obligated via purchasing and rehab contracts, but it's a best guess on the set aside. We had a unit last week that was sold to a buyer whose income was below fifty and it was originally funded out of what we would call the regular fund, and in DRGR, because that's how you all track expenditures, I had to go back into DRGR and reclassify every voucher associated with that individual unit or a portion of every voucher associated with that unit. And you get into a conflict because you can't lower an obligation more than what's been drawn and you can't increase an allocation in the other direction so…

Jessie Handforth Kome: Yes, it's simpler if you create project cool and went for LH25 and one for LMMI and transfer the individual activity itself. A lot of grantees in the disaster recovery side where their rental set asides and some but not all of the supplemental laws, they create a project that's a rental project and if something turns up that's eligible for the affordable rental project thing for that law and they're just running project pools and making projections or they're waiting to see who comes to get home ownership on some of the low income set asides. They then transfer that activity over. We don't allow aggregation of single families, we got into this problem a little bit on the NSP side. You're having it, I've heard L.A. say they're having it. There's ways to initially structure your program where you don't keep bumping up against this but I know that Mark can't do anything about your problem. There's about twenty grantees that we know of that have specifically talked to us about specific changes that would help them, but we can't get it into what they call a Gero [PH], which is like a big work order thing for at least like six or eight months right now, we're still backlogged.

Anne Chaney: Well okay, probably and I guess this is just a suggestion maybe that what we'll do is keep, we'll maintain the detailed unit data in HDS as we currently do and just make probably either a monthly or quarterly lump sum adjustment in DRGR. What that means is that our actuals will lag behind maybe a little bit with you all.

Jessie Handforth Kome: Right and I think that's happening to all the grantees that have set their programs up this way where they are being kind of opportunistic about who they're feeling, because you're reporting addresses when you get to the actual, not when you obligate. Okay that just went out early but you do it when the actual so move it, report the actual and that piece is done. It's true, if you're going to have to do bulk crosswalk if you're rep, if you're going on and there's a record of it in the HUD files.

Anne Chaney: Yeah because all the funds are going to be drawn, unless I mean somebody's doing all presold, you don't know until you sell it.

Jessie Handforth Kome: Yes and we don't know for like the giant compensation programs that we've run in New York and Louisiana and Mississippi after a disaster. We don't know either. We don't know who's going to show up. You cut the budget, low budget, their best guess, 60/40 whatever it is and then start accruing the cost into that that the activities under that project. As they go forward, that's the cleanest way to do it is make it dual, based on national objective.

John Laswick: Make it dual?

Jessie Handforth Kome: So that if you have, the easiest way I can explain it is in an activity where it's already happened and it doesn't have to be a NSP one. I don't have an NSP one of the top of my head but in Louisiana for the road home program, the compensation program has one activity that is non-lomad [PH] which is urgent need because their allowed urgent need disaster recovery and one activity which has 40% of the funds that's lomad. As they processed and they budgeted a certain amount for each of those activities, as they process people in that obligation of funds, to show how the breakout was actually proceeding and they had to go amend their action plan a couple times because they actually turned out to be more than 50% lomad in terms of the payment that they made. A lot of the upper income people didn't apply and who could have seen that coming. And that happened also in New York actually. A lot of the wealthy people never applied so after they got the beginning dates on population on the kind of housing and the kind of payment, it didn't turn out to be right but if you're getting all the way to the point of obligation, or draw before you know, then right now I don't have a fix for that, you have to do the directions and the financial module and do the work around that Mark has made available through DRGR.

Anne Chaney: Okay, well this event took two hours.

Jessie Handforth Kome: I know, I'm really, really sorry about that, I just

Anne Chaney: Okay, well we'll

Jessie Handforth Kome: We just didn't anticipate this program design, actually to be honest.

Anne Chaney: Okay, we'll take care of it one way or the other.

Jessie Handforth Kome: Okay and Mark, I tell you Mark keeps working on this because it takes a lot of his time too.

Anne Chaney: One thing that would help, and we've mentioned this before is to be able to have a commenter section when you submit the draw so that we could say these funds are X amount on this unit and X amount on this unit and X amount on this unit. And that would be maybe a simple…thing that would help us on our end in DRGR.

Jessie Handforth Kome: And do the cross work afterwards?

Anne Chaney: Yeah.

Jessie Handforth Kome: Let me see, we're having some trouble with our narrative field, that's what caused the last instability in DRGR and in IVIS but I think they figure out what it is today and I'm hoping to get that stable. I'm not going to suggest adding a narrative field to anything until they get it sorted out though.

Anne Chaney: Okay, thank you so much.

Jessie Handforth Kome: Sure.

Lucy Cook: We have about twenty minutes left and three people left with questions. Anne Cashmere, do you have a question?

Anne Cashmere: Thank you, I have an environmental question. We have a multi family project that we're looking at and we're a city and we're providing NSP1 funding for the acquisition and rehab. The NSP2 lending consortium which is a not for profit in our market place, is providing the rest of the financing for the rehab only. We've done an environmental clearance for the acquisition and they are, they as the lending consortium, NSP2 are doing the rehab environmental clearance. Once HUD gives the environmental clearance for the NSP2 people, can the NSP1 people also use that for the rehab portion of that transaction?

Jessie Handforth Kome: You're not going to like the answer, it's no. But there is a work around it that's really actually cool, you just pick up what HUD did, ask for a copy of the review, pick up what HUD did have your environmental staff look it over and if they agree with it and it works for you, you have to do some things, sometimes you have to do a comment period, because part 58 and part 50 are different and then you have your person who signs off on your environmental review sign off on it and then you have done the review.

Anne Cashmere: Okay.

Jessie Handforth Kome: You'll be the federal official for your grant so you always have to do environmental reviews for your money and there is a way HUD can do it but I'm just going to have to say we don't have the capacity to do it so it's stupid.

John Laswick: So do they have to publish and get the release of funds and everything on their own to?

Jessie Handforth Kome: It depends on how well they wrote their description for their acquisition activity. If they foresaw the rehab and actually laid out a chunk of the stuff they might not need to. It depends on what region they're in, you guys, what region are you in?

John Laswick: Florida.

Anne Cashmere: Florida.

Jessie Handforth Kome: They're Florida, yeah Linda Poiter [PH] typically makes you, in that region, makes you write up, have your environmental staff do it for the foreseen known use. So you might be okay. But that's who you would ask, the regional staff.

Anne Cashmere: Okay thank you.

Lucy Cook: Okay next we have a question from Clarence Brown. Clarence would you like to ask your question now?

Clarence Brown: Yes, we were having a conversation with one of our developers and came up with the issue of meeting the national objective of housing. So looking at a multifamily acquisition to the rehabilitation project, once we've achieved 51% occupancy, is it determined at that point that we achieved the maximum objective?

John Laswick: 51%? On low or moderate income, low or middle income occupancy?

Clarence Brown: Yes.

John Laswick: I think that we've interpreted the law to mean neighborhood stabilization fund have to exclusively benefit low and moderate income people. And then we tried, we thought we were being clever, we were able to allow some proration but there's apparently a glitch with that. So we're going to end up, this question was coming up in Chicago that night, this week too. Will they be able to opt for a pro-rata or LMI 51% or more type scenario?

Jessie Handforth Kome: The thing of the LMI 51% or more is what it says. Right now, except for new construction, not normally multifamily housing, where you can do pro-rata, what we missed, the line we dropped was allowing pro-rata for anything even not whatever, it's the whole recitation and we were also going to allow something more like what the home program does, in counting by unit and I need to double back and try to find what got dropped and we'll put it in as a technical correction as soon as we can.

John Laswick: So as bottom line if you do achieve 51% low and moderate income occupancy within a project then you should be okay, is that, either way? Is that true Jessie?

Jessie Handforth Kome: I think so, I need to put the FAQ's together with the lawyers send the reg and we need to get something out on that.

John Laswick: Alright, well our thinking was not pro-rata, that we were not allowing proportionality is that we were saying that 100% of the NSP funds were benefitting low and moderate income people but if there were other sources of funds that people could, you might have had upper income, you know people above the income limit that already lived in the project or something like that.

Jessie Handforth Kome: Right and that's exactly the tap dance the FAQ is doing. And like I said, I just want to put them all back in one pile and we just realized that there was a little glitch when we were putting together the multifamily tool kit, so this is highly technical and doesn't affect very many grantees.

John Laswick: Well Clarence, 51% is a safe harbor for you.

Clarence Brown: Okay, thanks a lot.

John Laswick: Sure.

Lucy Cook: Okay, we have another question. Joe Bozell. Joe? Star six to unmute.

Joe Bozell: Hi guys, I just sent one in that's I'm happy to speak to you, when's the rule coming out about obligating, de-obligating, when you're going to recapture, if the obligation goes down between now and September 11th.

John Laswick: Probably in about a month Jessie, maybe late August?

Jessie Handforth Kome: I really haven't been on, you know this is tricky, you know when you're in rule making you're not supposed to talk about it and I'm the one that's actually writing the rules so John's actually a little bit freer to talk about it than I am. We don't know the exact date yet, we haven't set it but it will be before, as God is my witness it will be before the first grantee flunks the 100% test, the 18 month test.

John Laswick: Which is sometime in late August. Assuming somebody flunks. I'm personally betting nobody does.

Jessie Handforth Kome: Yeah, no we're going for 100% guys, you heard it here.

John Laswick: We've had an office pool for how, what the percentages is actually going to be too. But I have a good feeling it's going to be 100%, right Joe?

Joe Bozell: No question. You can bet the house on that.

John Laswick: So you didn't even have to worry about this question.

Jessie Handforth Kome: Too many people have been betting their houses, how about we bet something else.

Joe Bozell: Thank you.

John Laswick: Take it easy.

Lucy Cook: Okay, we have a question from Julia Freidman. Julia apologizes for missing part of the forum. I am new to the city of Newark and am wondering how NSP recipients can pay themselves for their role as a developer without actually charging a developers fee which is not allowed. In order for them to grow their capacity as developers, how should they make up this lost revenue? Is it all through the selling price of the home?

John Laswick: Well, it's not through the selling price of the home which is limited to total development involvement costs or appraised value, whichever is lower, but I think there are ways to build capacity and to cover their costs as a direct grantee so for example, if the city of Newark receives funds and is operating the program there are two different types of administrative costs that you get into here. One is the over arching program direction and management and big decisions and those kinds of things and that category also includes training and development. And you can pay up to 10% of your grant for those types of costs. The other type of cost is what we call activity delivery or project delivery cost which is the nitty gritty work of making loans and inspecting homes and buying properties and actually doing stuff of an NSP and those costs which is typically what a developer would cover through developers fee and other things are allowed to be changed to the project line items. So if you have a five million dollar program, you can charge up to five hundred thousand dollars for the general oversight and including some of the training issues that you mentioned, but all of your really direct project type costs can be charged to the program to the project line item. So when you pay somebody to do housing counseling, that's coming out of your administrative money when you're staff is doing the inspections of the properties and the work write-ups and paying for appraisals and having people work with a prospective home owners and checking their income and all that stuff is chargeable to the project line items so you should be able to cover all over your costs if you have an indirect cost plan and as a larger city, you should probably have one, you can charge indirect costs to get your portion of your rent or heat or lights or phones or whatever covered. So as an entitled city, operating this program, there should be ways to pay for 99.99% of the costs that you incur to operate this program and then as a developer, if you're used to having a little extra to take to the next deal with you, you could be looking at the general administrative line item for at least some of those kinds of things, including staff development.

Jessie Handforth Kome: This is true whether you've got an entitlement or non-profit. If you're a direct grantee, it's just the way the financial circulars play through. It's a more rigorous form of accounting than most people are used to and it doesn't get you those funds to carry over to the next project unless you design this project to generate program income. So that's what you pay attention to, right? And the thing is, this is true for CBGV as well. It's the same circular CBGV plays with its, it's really the same circulars home plate except that it has that set aside issue for Chotos that are deemed to be developer so people have gotten used to that world. But if there's any CBGV grantee who's been charging development fees to the program, clean up your act now. Because that wasn't right.

John Laswick: I think the question was how did they cover, the big part of the question is how do they cover those operating type [Over talking] and those are all in there. I tell people this pretty regularly, the only activity delivery costs that HUD tracks in the CBGV program is rehab administrations so the cost of operating rehab progress which as you know, are pretty labor intensive, that cost fund average runs in the 21 to 22% of total rehab costs range so these things, in some cases well beyond the 10% of general administration costs.

Jessie Handforth Kome: Right, if you have a grantee that's running, there are a few grantees that run more than five hundred units of rehab a year and their costs will dip. They'll dip down into the 17 or 18% and occasionally lower range. Our disaster recovery tends to burn around 10 to 14% because of the economies scale. Smaller programs run as John said in the low 20's.

John Laswick: But that's all project costs, so you're not competing for that 10% in that, for those charges for those expenses those are all, right out of your pocket.

Jessie Handforth Kome: And developer fees are for risk. They pay you for taking on risk. Well if you can just charge your direct costs, there is no risk and so the rules that just basic a financial rules, you don't get to charge at all for fees.

John Laswick: Well I think the part of developers fees that people forget sometimes is that when things go badly, the developers eat that fee to so, it doesn't always, you're not always bringing something home with you. Okay.

Dionne Roberts: John and Jessie that was actually the last question that we had in the queue. Did you have anything that you wanted to mention that you didn't think came up during today or things you want to go back and reinforce on the questions? We have about seven more minutes left of time.

John Laswick: No, I think we, I'm hoping we covered every thing. You know we will be coming back on the obligations of the DRGR questions that people are having, we are also putting. I think shifting some money over to DRGR for technical assistance and so you know, we're going to keep working on that because we know that it can be confusing or as one of our experts, Jimmy Herding says, well it's just like the idea IDIS system in Serbian so the people tell me that Jessie believes it's much easier than IDIS so I guess she speaks Serbian but…

Jessie Handforth Kome: [Speaking Serbian]

Dionne Roberts: I have to agree with her on that one and I don't even know Estonian

John Laswick: Okay. Well, think we're good? So you want to join us on Tuesday, at two o'clock for two o'clock eastern for your first look at first look. We will be publishing some instructions, they should be coming up on the resource exchange today or tomorrow so to just break down the notice a little bit more and talk the NSP grantee go through step by step and there's really only a couple of steps fortunately so, I think you're going to like that program if you have properties in your area.

Dionne Roberts: Right well John and Jessie, thank you so much for answering all these questions. For those of you who participated, there is a link on this last slide for you to file your feedback and you'll also be receiving an email that request for you to go up online and fill out the survey and we really ask you to do that so we can continue to provide that feedback heart in terms of what you're looking for and what your ongoing questions are. I think that is all for this afternoon so everybody should have a great day and enjoy the rest of your week. Thank you so much.