



**CDBG Supplemental Assistance  
For The Redevelopment of Abandoned  
And Foreclosed Homes**

**Title III, Section 2301 of  
the Housing and  
Economic Recovery Act  
of 2008 (HR 3221)**



# Advisory Group To Assist DCA's Development of an Action Plan for Review by U.S. Dept. of HUD

- Given the need for expeditious development of Action Plan, DCA has cast a wide net for advice prior to the HUD guidance
- Some of you may end up dealing directly with and receiving a direct HUD allocation
- HUD guidance expected by the end of September

# DCA's Action Plan

- Flexible document based on statute and HUD guidance with reliance on local capacity and initiative
- Formula allocation combined with documentation of capacity, identified areas, readiness, efficiency (# of units), understanding of law/regulation, and agreements in place
- Locals response to NOFA (application) to be used to document interest and obtain documentation
- Performance based program with ability to reallocate quickly
- Reliance on existing DCA grants management processes and systems

# HUD's National Allocation Formula

- Formula to be developed by September 29 with funds distributed by HUD to states and locals 30 days thereafter
- 18 months for states and locals to “use” the funds
- To be allocated to states & local governments with possibility of modified “entitlement” and “non-entitlement” definitions
- Minimum state allocation of \$19,600,000

# HUD's National Allocation Formula

- National Formula Criteria
  - the number and percentage of home foreclosures in each State or unit of general local government;
  - the number and percentage of homes financed by a subprime mortgage related loan in each State or unit of general local government; and
  - the number and percentage of homes in default or delinquency in each State or unit of general local government.

# HUD's National Allocation Formula

- Data Sources for National Formula
  - Written Statement of Todd Richardson of HUD dated 5/22/2008
  - Various public and private data sources with non-consistent geography, availability and consistency with the statute
  - Data sources announced with upcoming HUD Notice

# State Distribution Formula Requirements

- Priority emphasis and consideration to those metropolitan areas, cities, urban areas, rural areas, **low- and moderate-income areas**, and other areas with the greatest need, including those:
  - (A) with the greatest percentage of home foreclosures;
  - (B) with the highest percentage of homes financed by a subprime mortgage related loan; and
  - (C) identified by the State as likely to face a significant rise in the rate of home foreclosures.

# State Distribution Formula Public Data

- Home Mortgage Disclosure Act (Federal Financial Institutions Examination Council)
  - % of conventional home mortgages by subprime lenders by County (2005)
  - Conventional home purchase mortgage loans by subprime lenders by County (2005)
  - <http://beta.dataplace.org>

# State Distribution Formula Private Data

- Foreclosure Data by County and Zip Code
  - Inventory and Activity Data
    - Notices of Default
      - Number and % of Households
    - **Notices of Foreclosure Sales\***
      - Number and % of Households
    - **Real Estate Owned Property**
      - Number and % of Households
  - [www.RealtyTrac.Com](http://www.RealtyTrac.Com)

\* Noted as "Trust Sales" in RealtyTrac data source

# State Distribution Formula Data Definitions

- **Notices of Foreclosure Sales\***

- After 4 weeks of notice of foreclosure in the newspaper of record for the appropriate county, the property is placed for sale on the appropriate county's courthouse steps on the first Tuesday in the month following the fourth week.

\* *Noted as "Trust Sales" in RealtyTrac data source*

# State Distribution Formula Data Definitions

- **Real Estate Owned Property (REO):** If the property isn't sold at the foreclosure auction on the courthouse steps, the investor retains ownership of the property and will then market the property.

# State Distribution Formula Data Definitions

- **Subprime Loan:** Loans made by lenders designated by the U.S. Department of Housing and Urban Development (HUD) as specializing in the subprime market, but which may also do prime lending. Designations are based on industry trade publications and Home Mortgage Disclosure Act data analyses. HUD also receives referrals from other government agencies and from consumer advocacy groups. After compiling a list of potential subprime lenders, HUD calls them or reviews their web pages to determine if they specialize in subprime lending. In cases where lenders offer both prime and subprime loans, HUD identifies lenders as subprime lenders if they report that at least 50 percent of their conventional originations are subprime loans.

# Proposed State Distribution

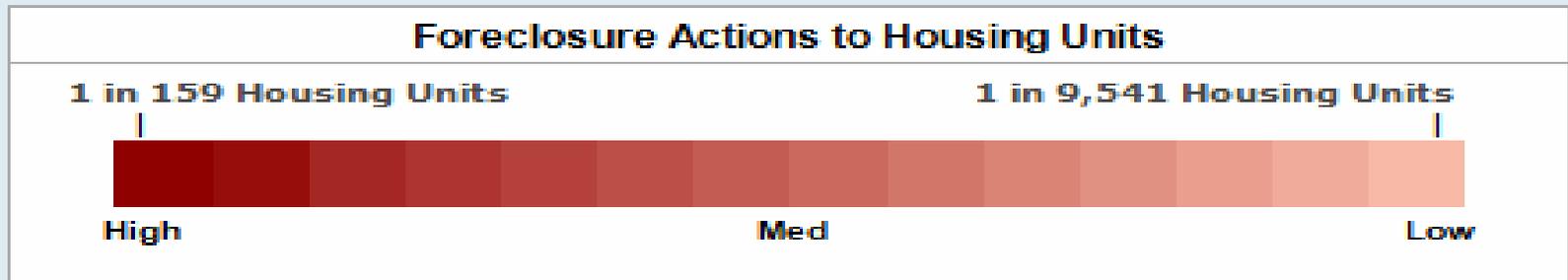
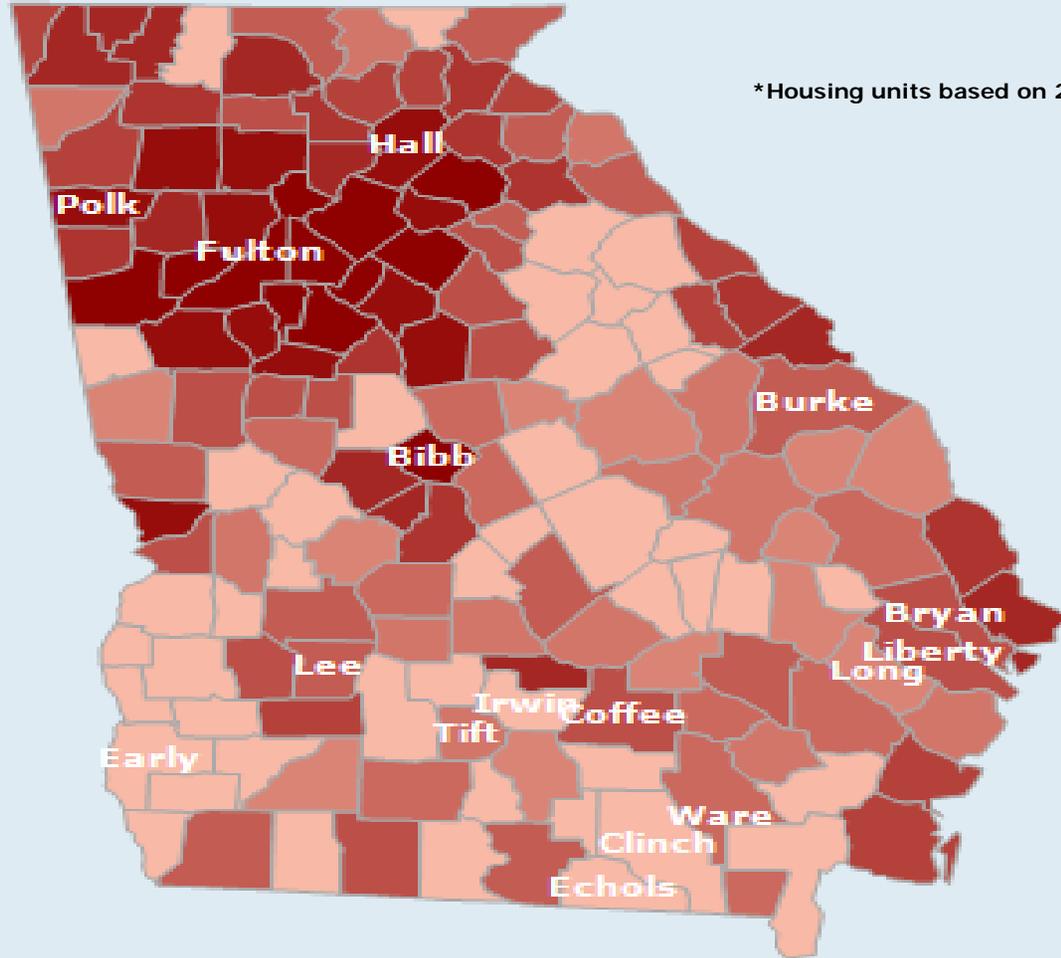
- Counties ranked by formula
  - Notices of Foreclosure\* Sale ranked by both numbers and **percent** (RealtyTrac)
  - Number of Real Estate Owned Properties ranked by both numbers and **percent** (RealtyTrac)
  - Home Purchase Mortgages by Subprime Lenders by both numbers and **percent** (HMDA data)
- Combined with ...

# Proposed State Distribution

- Documentation of capacity
- Identified low- and moderate income areas of need
- Readiness
- Efficiency (# of units)
- Understanding of law/regulation, and
- Agreements in place

# Properties with Foreclosure Filings in July, 2008

\*Housing units based on 2006 U.S. Census Data



# Eligible Activities

- Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for LMI homebuyers;
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
- Establish land banks for homes that have been foreclosed upon;
- Demolish blighted structures; and
- Redevelop demolished or vacant properties.

# Eligible Recipients

- General Purpose Local Governments (priority to municipal governments and counties not eligible for direct grants)
- Non-profits (directly if allowed by HUD guidance and/or indirectly through local governments)
- Georgia Housing and Finance Authority (through intergovernmental or sub-grant agreement with DCA)

# Forms of Assistance and Amounts

- Forms of Assistance
  - Grants
  - Loans
- State and Local Revolving Loan Funds
- Amounts of Assistance

# Assistance Limitations

- On Purchases
  - At a discount from current market appraised value
  - Discount shall ensure that purchasers are paying below-market value for the home or property (See other parts of HERA)
- On Sales
  - If an abandoned or foreclosed upon home or residential property is purchased, redeveloped, or otherwise sold to an individual as a primary residence, then such sale shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition.

# Assistance Limitations

- Reinvestment of Profit
  - From (c)(3)(B) activities subject to return to Treasury after end of 5 year period (Questions exist on these definitions)
  - From (c)(3)(A, C or D) activities may be used by State in accordance with, and in furtherance of, the intent and provisions of this section

# Assistance Limitations

- Neighborhood Stabilization Income Requirements
  - All funds shall be used with respect to individuals and families whose income does not exceed **120 percent of area median income**; and
  - not less than **25 percent of the funds appropriated** or otherwise made available under this section shall be used for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties that will be used to house individuals or families whose incomes **do not exceed 50 percent of area median income**.

# Limitations On Eminent Domain

- No use of any amounts received pursuant to section 2301 to fund any project that seeks to use the power of eminent domain, unless eminent domain is employed only for a public use: *Provided*, that for purposes of this section, public use shall not be construed to include economic development that primarily benefits private entities.

# Discussion



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