



Special Attention of:

Transmittal Handbook No.: 6400. 1 REV-1

CPD Staff
CPD Urban Homesteading Coordinators
Local Urban Homesteading Agencies (LUHAs)

Issued: March 1990

1. This Transmits HUD Handbook 6400.1, REV-1,
Urban Homesteading Program
2. Explanation of Significant Changes: This Handbook has been completely revised to reflect legislative, policy and procedural changes in the Urban Homesteading Program. The most significant changes are itemized below.
 - (a) The requirement for an annual LUHA on-site inspection to verify the continued occupancy of the property by the homesteader during the 5 year conditional conveyance period.
 - (b) New application requirements and certifications for LUHAs.
 - (c) A new Urban Homesteading Program Participation Agreement.
 - (d) The elimination of a funds reservation for each LUHA and the introduction of an individual property reservation on a first-come, first-served basis.
 - (e) The increase in the as-is value from \$20,000 to \$25,000 for the first unit, and from \$5,000 to \$8,000 for each additional unit (up to four units).
 - (f) The replacement of a three-pronged priority for homesteader selection by a single priority for lower-income families.
 - (g) Procedures under which a qualified community organization (private non-profit corporation) may be designated as a Local Urban Homesteading Agency (LUHA).
 - (h) Procedures for handling Section 312 loan delinquencies on Urban Homesteading properties.
 - (i) Definitive procedures for alternative use requests.
 - (j) New Regional Office monthly and annual reporting requirements.
 - (k) Clarification of HUD monitoring requirements and inclusion of a revised in-depth monitoring checklist.

- (1) Reservation of Chapter 9 for the inclusion of procedures for LUHA acquisition of properties held by the Resolution Trust Corporation (RTC).
3. Cancellations: All of HUD Handbook 6400.1 is cancelled.
4. Filing Instructions: Remove Handbook 6400.1 dated April 1980.
Insert HUD Handbook 6400.1 REV-1.



Handbook

6400.1 REV-1

U.S. Department of Housing and Urban Development
Office of Community Planning and Development

Program Participants and Departmental Staff

March 1990

Urban Homesteading Handbook

CCRP: Distribution: W-3-1, W-1, W-2 (CPD, ADM, H) R-1,
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CHAPTER 1. OVERVIEW OF THE URBAN HOMESTEADING PROGRAM

1-1. PURPOSE

- A. The purpose of the Urban Homesteading Program is to utilize existing housing stock to provide homeownership, thereby encouraging public and private investment in selected neighborhoods to assist in their preservation and revitalization. Further, the Program will generally provide homeownership opportunities for lower income families who, except for homesteading, would not be able to improve their housing situations.
- B. The Department encourages the conveyance to homesteaders of locally-owned as well as federally-owned property within the urban homesteading neighborhood. This might include property acquired through tax foreclosures (from local real estate tax defaults), purchase, donations and/or other methods of acquisition by the locality. The Local Urban Homesteading Agency (LUHA) is not required to follow the requirements of Section 810, 24 CFR Part 590, and this Handbook with respect to properties not acquired with Section 810 funds.

1-2. BACKGROUND

- A. The Federal Government's involvement in urban homesteading was officially established by the Housing and Community Development Act of 1974, P.L. 93-383. Section 810 of this Act authorized the Secretary of HUD to transfer without payment unrepaired, unoccupied, one- to four-unit residential properties to States, units of general local government or their designated public agencies for use in urban homesteading programs approved by the Department.
- B. Section 106 of the Housing and Community Development Amendments of 1979 authorized the Secretary of HUD to use Section 810 funds to reimburse the Secretary of Agriculture and the Administrator of Veterans Affairs for the transfer without payment of unrepaired, unoccupied, one- to four-unit residential properties to States, units of general local government or their designated public agencies for use in a HUD-approved urban homesteading program.
- C. Section 122 of the Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181) imposed additional requirements on LUHAs by establishing a priority for the selection of families and individuals most in need of housing assistance. It required LUHAs to establish procedures that gave a special priority to applicants whose current housing failed to meet health and safety standards, including over-crowding; who paid more than 30 percent

of their income for shelter; and who had little likelihood of obtaining improved housing within the foreseeable future without the assistance of a homesteading program. Further, the Act excluded potential homesteaders who are currently homeowners. It also extended the period of rehabilitation to three years in order to let homesteaders use sweat equity where feasible, and increased the occupancy requirement to five years prior to obtaining clear title to the property.

- D. Section 517 of the Housing and Community Development Act of 1987 modified the three-pronged priority criteria for homesteader selection imposed previously by Section 122 of the 1983 Act. It lessened the local administrative burden by only requiring LUHAs to give a special priority to applicants who are "lower-income families" as defined in Section 3(b)(2) of the United States Housing Act of 1937 and allowed LUHAs to include other reasonable selection criteria. It also permits qualified community organizations (non-profits) to accept title to properties on behalf of State and local governments which choose to administer a program and permits States to use CDBG funds for administrative support of their Urban Homesteading Programs.
- E. The primary source of Departmental policy for the Urban Homesteading Program is set forth in the published Regulations, 24 CFR Part 590 (Appendix 1), which implement all of the legislative provisions cited above. This Handbook serves as a supplemental guide for use in the implementation of the program consistent with these regulations. If there is any conflict between the statute or the published regulations and this Handbook, the statute and the regulations shall prevail. Generally, where the Handbook merely provides additional or more detailed requirements or procedures not directly inconsistent with the Statute or Regulations, no conflict will be deemed to exist.

1-3. WAIVERS

The HUD Assistant Secretary for Community Planning and Development may waive any requirement of this Handbook not required by law, whenever it is determined that undue hardship would result from applying the requirement and such application would adversely affect the achievement of the purposes of the Urban Homesteading Program.

1-4. DEFINITIONS

- A. "Act" means Section 810 of the Housing and Community Development Act of 1974, as amended.
- B. "Applicant" means any State or unit of general local government that applies for HUD approval of a local urban homesteading program under the regulations in 24 CFR Part 590.

C. "Federally-owned property" means any real property to which the Secretary of HUD, the Secretary of Agriculture or the Secretary of Veterans Affairs holds title and which is:

1. Improved with a one- to four-family residence;
2. Unrepaired and which is not the subject of an outstanding repair or sales contract; and
3. Not occupied by an individual or family under a lease.

Property of this nature is also referred to as "HUD-owned property," "FmHA-owned property," or "VA-owned property" when the context requires identification of the particular agency. HUD-owned property includes eligible properties acquired through Section 312 Rehabilitation Loan defaults, as well as those in the FHA-acquired inventory.

D. "Field Office" includes Regional Offices in co-located offices. The term "Regional Office" will be stated specifically to indicate Regional jurisdictional responsibilities and oversight.

E. "FmHA" means the Farmers Home Administration, an agency within the U.S. Department of Agriculture.

F. "Homesteader" means an individual or family which participates in a local urban homesteading program by agreeing to rehabilitate and occupy a property pursuant to the requirements of 24 CFR Part 590.7(b)(5).

G. "HUD" means the U.S. Department of Housing and Urban Development.

H. "Local Urban Homesteading Agency" (LUHA) means a State, a unit of general local government, or a public agency or qualified community organization, designated in accordance with 24 CFR Part 590.7(c) by a State or a unit of general local government. The LUHA must have legal authority to carry out a local homesteading program as described in the Regulations in 24 CFR Part 590.

I. "Local Urban Homesteading Program" means the operating procedures and requirements developed by a LUHA, in accordance with the Regulations in 24 CFR Part 590, for selecting and conveying Federally-owned properties to qualified homesteaders.

J. "Lower income families" means those families and individuals whose incomes do not exceed 80 percent of the median income for the area, as determined by the Secretary under Section 3(b)(2) of the United States Housing Act of 1937. Under the provision of 24 CFR Part 813, the Secretary's income limits for this purpose are

updated annually and are available from the Housing Management Division in HUD Field Offices.

- K. "Qualified community organization" means a private non-profit corporation that:
1. is incorporated under applicable State or local enabling legislation and which has the authority necessary to carry out a program;
 2. is controlled by a board of directors whose members receive no compensation of any kind for the performance of their duties;
 3. is organized exclusively for charitable, educational, scientific purposes, or the promotion of social welfare, and qualifies as an exempt organization under paragraph (3) or (4) of section 501(c) of the Internal Revenue Code of 1986.
- L. "Secretary" means the Secretary of Housing and Urban Development or any person to whom the Secretary has delegated authority for the urban homesteading program.
- M. "Section 810 Funds" means funds to reimburse HUD, FmHA, or VA (as applicable) for federally-owned property transferred to LUHAs in accordance with the Regulations in 24 CFR Part 590.17 and 590.18.
- N. "State" means any State of the United States, any instrumentality of a State approved by the Governor, and the Commonwealth of Puerto Rico.
- O. "Unit of general local government" means any city, county, town, township, parish, village, or other general purpose political subdivision of a State such as a Regional Council of Government or Regional Planning Commission; Guam, the Virgin Islands, and American Samoa, or any general purpose political subdivision thereof; the District of Columbia; the Trust Territory of the Pacific Islands; and Indian tribes, bands, groups, and nations of the United States, including Alaska Indians, Aleuts, and Eskimos.
- P. "Urban homesteading neighborhood" means any geographic area approved by HUD for conducting a local urban homesteading program that meets the requirements of the Regulations in 24 CFR Part 590.7(a).
- Q. "VA" means the U.S. Department of Veterans Affairs.

CHAPTER 2. HUD STAFF RESPONSIBILITIES

2-1. HEADQUARTERS

- A. Urban Homesteading Team, Rehabilitation Loans and Homesteading Division, Office of Urban Rehabilitation, CPD.

The Urban Homesteading Team in the Office of Urban Rehabilitation (OUR), Community Planning and Development (CPD), prepares regulations, develops program policies and operating procedures, prepares assignments to Regional Offices of Section 810 funds, provides training and technical assistance to HUD and local staffs, monitors and evaluates the Urban Homesteading Program, and prepares reports for the Secretary and Congress as required.

- B. Single Family Property Disposition Division, Housing

The Single Family Property Disposition Division (PD) in the Office of Single Family Housing develops program operating procedures in coordination with the Urban Homesteading Team for the listing of Secretary-owned properties, establishing fair market value, transferring Secretary-owned properties for use in HUD-approved homesteading programs and transmitting sales closing documents to the appropriate Urban Homesteading Coordinator to permit reimbursement of the HUD-FHA mortgage insurance fund, or the Section 312 revolving loan fund.

- C. Office of Finance and Accounting, Administration

The Office of Finance and Accounting (OFA) maintains control over funds apportioned and allotted for the Section 810 program, develops accounting procedures for use by the Regional Accounting Divisions (RADs), provides technical advice and assistance to the RADs and Field Offices, and prepares reports providing financial and budgetary information to the Office of Management and Budget, the Department of the Treasury, and HUD Headquarters Managers.

- D. Office of Assisted Housing and Community Development, General Counsel

The Office of Assisted Housing and Community Development in the Office of General Counsel (OGC) assists the Urban Homesteading Team in the interpretation of legislative intent and the conformance of program regulations and operating procedures to statutory requirements. OGC also advises the Regional Counsel, Chief Counsel, and/or Chief Attorney (hereinafter called Field Counsel except where needed specifically for jurisdictional emphasis) as

needed in reviewing legal documents and other matters associated with the homesteading program and providing advice and technical assistance to LUHAS on legal matters.

2-2. REGIONAL OFFICE

A. Regional Administrator

The Regional Administrator is responsible for the management of the Urban Homesteading Program within the Regional Office's jurisdiction. The Regional Administrator:

1. makes subassignments of Section 810 funds to Field Offices;
2. monitors Field Office program management; and
3. supervises the activities of the Regional Counsel, the Regional Housing Office, the Regional CPD Office and the Regional Accounting Division (RAD) as they relate to Urban Homesteading Program management and fund control.

B. Regional CPD Office

The Regional Director for CPD coordinates the activities of Regional Office staff and acts as liaison between the Region and Headquarters staff in managing the Urban Homesteading Program. The Regional Director for CPD:

1. appoints a Regional Urban Homesteading Coordinator located in the Regional Office;
2. evaluates Field Office performance;
3. develops annual funding plans and recommends subassignments to Field Offices for approval by the Regional Administrator;
4. manages fund use and progress reporting systems and recommends reassignment of funds to and from Field Offices for approval by the Regional Administrator;
5. provides technical assistance to Field Office staff and develops and implements Regional training plans;
6. maintains liaison with the Regional Director of Housing, Regional Counsel and Regional Accounting Division (RAD); and
7. maintains records and prepares reports for Headquarters staff as required.

C. Regional Urban Homesteading Coordinator

The Regional Urban Homesteading Coordinator has primary liaison responsibility between Field Office's and Headquarters. The Regional Urban Homesteading Coordinator:

1. assists in the preparation of the annual funding plan for Urban Homesteading and prepares requests for additional funds based on Field Office needs of existing and new LUHAS.
2. oversees fund use and recommends to the CPD Director reassignment of funds to and from Field Office's.
3. provides guidance and technical assistance to Field Office Urban Homesteading Coordinators on Urban Homesteading related matters.
4. acts as chief liaison between CPD and the Regional Accounting Division (RAD) and the Regional Property Disposition Branch.
5. monitors Field Office performance in managing the Urban Homesteading Program.
6. prepares reports for Headquarters staff as required, including the monthly and annual Funds Use Reports.

D. Regional Counsel

The Regional Counsel provides advice and guidance as necessary to Field Counsel on legal matters connected with the Urban Homesteading Program.

E. Regional Housing Office

The Regional Director for Housing provides advice and guidance to the Field Office Property Disposition Branch on appropriate property disposition activities in conjunction with the Urban Homesteading Program.

F. Regional Accounting Division

The Regional Accounting Division performs fiscal and accounting functions for the Urban Homesteading program in accordance with procedures prescribed by OFA. Functions performed by the RAD include validation of subassignments and reservations, processing disbursements, and recording all transactions in the accounting records.

G. Regional FHEO Office

Regional FHEO conducts periodic reviews of the Homestead Program to determine a LUHA's compliance pursuant to Title VI of the Civil Rights Act of 1964, Executive Order 11063, Title VIII of the Civil Rights Act of 1968, as amended; Section 504 of the Rehabilitation Act of 1973; the Age Discrimination Act of 1975, which respectively prohibit discrimination on the basis of sex, race, creed, religion, color, national origin, handicap, or age in any program or activity under 24 CFR Part 590; Section 562 of the Housing and Community Development Act of 1987, and reviews LUHAs' affirmative marketing efforts.

2-3. FIELD OFFICE

A. Field Office Manager

The Field Office Manager, or Regional Administrator in co-located offices, is responsible for the management of the Urban Homesteading Program within the Field Office's jurisdiction. Specifically, the Field Office Manager:

1. recommends an annual funding plan to the Regional Administrator and requests funds for new LUHAs;
2. approves or disapproves Local Urban Homesteading Programs;
3. executes Urban Homesteading Agreements and Amendments;
4. sanctions or conditions Urban Homesteading Agreements to LUHAs in consultation with Headquarters;
5. supervises the activities of the Field Counsel, the Housing Management Division, the CPD Division, and the Fair Housing and Equal Opportunity Division (FHEO) as they relate to Urban Homesteading management.

B. CPD Division

The CPD Division Director:

1. appoints an Urban Homesteading Coordinator;
 2. recommends an annual Homesteading funding plan to the Field Office Manager;
 3. recommends approval or disapproval of initial program applications and annual requests for program participation, prepares Urban Homesteading Agreements and Amendments, and conditions or other appropriate sanctions, to the Field Office Manager;
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4. supervises the activities of the Program Management and Program Support staffs as they relate to Urban Homesteading program management;
5. monitors local homestead agency program management; and
6. closes out Urban Homesteading Programs.

C. Urban Homesteading Coordinator

The Urban Homesteading Coordinator has lead staff responsibility for liaison with the LUHA, VA, FmHA, HUD Headquarters and HUD Regional Office staff, and coordinates the activities of the Field Counsel, CPD Division, Housing Management Division, FHEO Division and Environmental Officer as they relate to Urban Homesteading program management. The Urban Homesteading Coordinator:

1. assists applicants in the preparation of their homesteading program designs and reviews applications and annual requests for participation;
2. recommends approval or disapproval of initial program applications and annual requests for program participation to the CPD Director in consultation with Property Disposition (PD) staff and the Property Management staffs of VA and FmHA;
3. monitors program progress, evaluates performance annually, corresponds with LUHAs and maintains records and program files with appropriate data;
4. prepares Urban Homesteading Agreements and amendments and recommends conditions and any other sanctions, as needed, to the CPD Director;
5. prepares fund reservation and obligation documents for processing by the RAD;
6. notifies the HUD PD staff, FmHA and VA of fund availability for property transfers and coordinates homesteading activities between them and the LUHAs;
7. provides technical assistance and training to LUHA staff;
8. maintains records and prepares reports for Regional Office and Headquarters staff as required; and
9. prepares program close-out documents.

D. Environmental Officer

The Environmental Officer (EO) provides advice and guidance to the Urban Homesteading Coordinator and the LUHAs on procedures to enhance and protect the environment through the Urban Homesteading Program. The EO:

1. assists in pre-application technical assistance and application review, as necessary; and
2. assures the Field Office Manager of compliance with the Department's responsibilities under 24 CFR Part 50 and the Coastal Barrier Resources Act of 1982 and the Flood Disaster Protection Act of 1973.

E. Property Disposition Branch, Housing Management

The Chief Property Officer supervises property disposition staff to support the Urban Homesteading Coordinator and:

1. provides an initial list of Secretary-owned properties requested by an applicant for planning purposes;
2. provides data on the availability of HUD properties so the Urban Homesteading Coordinator can complete the review of applications and the annual requests for continuing program participation;
3. notifies LUHAs and the Urban Homesteading Coordinator within ten (10) days of HUD's acquisition of properties in homesteading neighborhoods;
4. determines fair market value of each property to be transferred, and provides appropriate data regarding the availability of HUD properties to aid the Urban Homesteading Coordinator in developing the annual fund allocation plan; and
5. prepares closing statement packages to assure reimbursement to the FHA insurance fund and the Section 312 loan fund and transfers properties to LUHAs.

F. Legal Division

The Field Counsel provides advice and guidance to the Urban Homesteading Coordinator and LUHAs on legal matters in the Urban Homesteading Program. The Field Counsel:

1. assists the Urban Homesteading Coordinator in pre-application technical assistance with respect to legal matters and
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generally provides advice upon request concerning program operations; and

2. reviews all contract conditions and all correspondence concerning other corrective or remedial actions and program approval and amendment documents, including, upon request, Urban Homesteading Program Participation Agreements, the LUHA's conditional and fee simple conveyance documents, the Homesteader Agreement, and the written agreement between the applicant and the LUHA, for compliance with statutory and regulatory requirements before program approval by the Field Office Manager (see Chapter 4, paragraph 4-4).

G. Fair Housing and Equal Opportunity Division

FHEO provides advice and guidance to the Urban Homesteading Coordinator and the LUHAs on procedures to enhance equal opportunity and equitable treatment in the Urban Homesteading Program. The FHEO Division:

1. assists in pre-application technical assistance relative to civil rights, non-discrimination and affirmative marketing provisions cited in 24 CFR 590.11(d)(5); and recommends approval or disapproval of applications based on civil rights concerns.
2. monitors, evaluates, and provides advice about applicants'/LUHAs' performance in meeting civil rights requirements in their community development and housing programs and in their efforts to promote equal housing opportunity.

CHAPTER 3. PROGRAM DESIGN AND OTHER REQUIREMENTS

3-1. PROGRAM DESIGN

The applicant shall develop its Urban Homesteading Program design in compliance with 24 CFR Part 590.7. The Program requirements include the following:

A. Designation of Urban Homesteading Neighborhood; Coordinated Approach Toward Neighborhood Improvement. [590.7(a).]

The applicant shall designate one or more neighborhoods which have available federally-owned properties to carry out its local urban homesteading program. With the exception of communities below 25,000 in population, target areas should not be approved that, either separately, or in combination, encompass all or substantially all of a community's total area. Exceptions to this standard may only be approved by the Director of the Urban Homesteading Program in Headquarters. Prior to submission of its application to HUD, the applicant shall develop a plan that provides for the improvement of these neighborhoods through the homesteading program and the general upgrading of community services and facilities, and through other measures needed to assure a suitable living environment, in combination with other public or private revitalization efforts affecting the neighborhood. At a minimum, the applicant must demonstrate that other activities, such as rehabilitation loans, water and sewer improvements, street and sidewalk improvements, and community and/or social services will support the efforts of the homesteading program.

B. Minimum Number of Properties. [590.7(a).]

An applicant should be reasonably certain that it will be able to acquire a minimum of five properties each fiscal year. Localities that will not be able to acquire five properties should not participate as a single entity, but should participate under the jurisdiction of a State or county program, or the umbrella of a single public agency or qualified community organization designated by several units of general local government to administer a program for more than one locality under separate Urban Homesteading Agreements with each unit of general local government.

C. Selection and Management of Properties. [590.7(b)(1).]

The applicant's program shall include procedures for selecting and acquiring one- to four-unit federally-owned properties suitable for homesteading, and for managing properties before conditional conveyance to homesteaders. This includes inspecting properties prior to taking title and assuming liability for injury or damage to persons or property due to a defect in the dwelling or its

equipment, or for any other reason related to ownership of the property. Properties will remain unrepaired until conditionally conveyed to homesteaders. The LUHA shall, if feasible, continue to include properties in its master insurance coverage if homesteaders have difficulty obtaining coverage initially after conditional conveyance and prior to the property achieving a standard where private insurers will cover the homesteader's interest in the property.

D. Designation of LUHA. [590.7(c).]

1. Responsibilities. [590.7(c)(1).] The applicant shall designate a LUHA, which shall have primary responsibility for administering the local urban homesteading program for the applicant. The LUHA shall be the legal entity that accepts title in its own name to federally owned properties conveyed by the applicable Federal agency with reimbursement from Section 810 funds and which conveys title to such properties to homesteaders pursuant to paragraph (b) of 24 CFR 590.7. Although the applicant may at any time amend its local urban homesteading program to designate a new LUHA, subject to HUD approval as described in Chapter 4, paragraphs 4-5 and 4-6, and 24 CFR 590.13-.15, neither the applicant nor the designated and approved LUHA may delegate or contract out to another legal entity, the function of accepting and conveying in its own name title to properties for homesteading purposes pursuant to 24 CFR Part 590. To the extent permitted by the applicant, the LUHA may use third parties as consultants, or agents to assist it in carrying out other functions and responsibilities with respect to the local urban homesteading program, by entering into a written agreement between the LUHA and the third party. No such agreement shall be deemed to relieve the LUHA or the applicant of responsibility for the third party's actions in conjunction with the local urban homesteading program.
2. Identity of LUHA. [590.7(c)(2).] The LUHA must have legal authority to carry out a local urban homesteading program as described in 24 CFR 590.7(c), including the authority to accept and convey title to properties pursuant to 24 CFR 590.7(b). To the extent consistent therewith, the applicant State or unit of general local government may:
 - a. act as LUHA in its own name, while identifying within its administrative organization a lead department or agency to act as the primary contact point for HUD, VA and FmHA (in such a case, the applicant itself is referred to as the LUHA);
 - b. designate, and enter into a written agreement with, a legally separate public body or agency to act as LUHA in accordance with the following paragraph 3; or

- c. designate, and enter into a written agreement with, a qualified community organization (as defined in Chapter 1, paragraph 1-4(K) and 590.7(c)(4)) to act as LUHA in accordance with the following paragraph 3.

3. Content of Agreement with Designated Public Agency or Qualified Community Organization. [590.7(c)(3).] The applicant's written agreement with its designated public agency or qualified community organization shall contain at least the following provisions, and nothing inconsistent therewith:

- a. the agreement of the LUHA to carry out the local urban homesteading program, including the acceptance and conveyance of title to properties for homesteading purposes, in accordance with the Act, 24 CFR Part 590, this Handbook, and the applicant's HUD-approved urban homesteading application;
- b. the agreement of the LUHA to hold title (and the right of reverter or other interest retained after the conditional transfer to a homesteader under 24 CFR 590.7(b)(3)) to formerly federally owned properties conveyed to it pursuant to 24 CFR Part 590 in trust, solely for the purpose of conveying the properties to homesteaders (or for such alternative use as may be approved by HUD) pursuant to 24 CFR Part 590, and not to convey, encumber or otherwise deal with such property for its own benefit or account;
- c. the agreement of the LUHA promptly to assign or convey title and/or other interests in properties held pursuant to 24 CFR Part 590 to the applicant, or to such new LUHA as may be designated by the applicant and approved by HUD, if the applicant terminates the LUHA's designation; and
- d. the agreement of the applicant and the LUHA that the LUHA's designation shall not relieve the applicant of full responsibility to HUD for the conduct of the local urban homesteading program, and that HUD may take any corrective or remedial action pursuant to 24 CFR 590.31 against the applicant, the LUHA, or both, solely at HUD's option.

E. Affirmative Marketing. [590.11(d)(5)(ii).]

The program shall include affirmative marketing practices that further national policy for fair housing by advertising the program in the media that will reach eligible persons least likely to apply for participation, and by otherwise marketing units in a manner to attract homesteaders regardless of sex, racial, or ethnic group. Such methods should include use of minority media outlets when

media advertising will be used to announce the availability of the program, and utilizing special outreach techniques/efforts to inform eligible persons who are not likely to apply without special outreach.

F. Homesteader Selection. [590.7(b)(2).]

The program shall include equitable procedures for selecting homesteaders who have the capacity to make or cause to be made the repairs and improvements required under paragraph H below. The procedures shall:

1. exclude prospective homesteaders who own any other residential property. (This includes owners of mobile homes regardless of whether they own their land or rent space in a mobile park, holders of life estates, owners of condominiums, cooperatives, or property used for either investment or recreational purposes, i.e., a vacation house or a rental unit. It also excludes persons with a right to purchase properties utilizing a land contract.)
2. take into account the prospective homesteader's capacity to rehabilitate the property, including the ability to reduce rehabilitation costs through his/her own labor or other resources or contributions. The homesteader's capacity includes the ability to do some of the work, to manage the work of contractors, to obtain assistance from other sources, such as community organizations, and/or to obtain the funds required to finance the work. Though a LUHA is not required to give priority to applicants who can contribute their own skills and labor, those contributions which can be verified must be taken into account in assessing an individual homesteader's ability to make or cause to be made the necessary repairs.
3. provide that membership in, or other ties to, any private organization (including a qualified community organization) may not be made a factor affecting selection as a homesteader. Furthermore, membership of a potential homesteader in any private organization doing business with a qualified community organization, and any other ties to a particular private organization, is not to be made a criterion for homesteader selection.
4. give a special priority to prospective homesteaders who are "lower income families" as defined in Section 3(b)(2) of the United States Housing Act of 1937, which includes single person households. Generally, this means that the family's annual income does not exceed 80% of the median income for the area, with adjustments for smaller and larger families. Permissible adjustments to income, and the median income for the area shall

be determined in accordance with the requirements for the Section 8 Program in 24 CFR Part 813.

The special priority requires a LUHA to offer a Section 810 property to a qualified prospective homesteader who meets the "lower income" definition above before offering a property to any other prospective homesteader who does not qualify for the priority. An otherwise qualified priority prospective homesteader must also be credit-worthy, having the capability to secure the financing and manage the repayment of the debt associated with rehabilitation of a homesteading property. This could be determined initially through a credit check, and thereafter through the loan underwriting process.

To reduce the administrative burden due to an influx of applications, the LUHA in advertising its program and availability of properties should announce up front the selection criteria, thus assuring that most prospective homesteaders will meet the criteria. Also, the LUHA may charge an application fee, limited to the cost of a credit check. This fee generally shall not exceed \$25, unless the applicant does not subscribe to a credit bureau service, in which case, the fee may be more. The LUHA shall refund the application fee if it determines the prospective homesteader is ineligible prior to a credit check, e.g., under age to enter into a binding contract.

5. include locally adopted criteria reasonably matching the family size to the number of bedrooms in the property. Such criteria shall not permit homesteaders who are one-person households to be awarded a property having more than two bedrooms, unless there are no larger households on the waiting list.
6. specify other reasonable selection criteria, if any, which must be specified in the applicant's application. Other selection criteria may include preferences for the selection of neighborhood residents or other local residents only to the extent that they are consistent with affirmative marketing objectives to which the LUHA certifies under 24 CFR 590.11(d)(5)(ii). Preferences may not be based on the length of time the prospective homesteader has resided in the jurisdiction or the neighborhood. In addition, persons who are working, or who have been notified that they are hired to work, in the jurisdiction shall be extended any preference available to current residents. (If there is a low-income applicant otherwise qualified to participate in the program, who does not meet the locally imposed residency criteria, then that applicant would still take precedence over any non-lower income applicant meeting the local residency criteria.)

Additional generally permissible selection criteria may include preference for those displaced due to other public action, minimum income limits to assure ability to repay a rehabilitation loan, maximum income limits to assure that "lower income families" are being served, or physical handicap. All selection criteria must be submitted to and approved by Field Office staff in accordance with 24 CFR 590.11(a) and 590.13. (See Chapter 4, paragraph 4-2, C.4.)

7. Assure nondiscrimination upon the basis of race, creed, color, sex, national origin, age, handicap, religion, or familial status in the selection of homesteaders.

G. Conditional Conveyance. [590.7(b)(3).]

The program shall provide for the conditional conveyance of unoccupied, unrepaired residential property to homesteaders within 1 year, or less, of title transfer to the LUHA. Property received from the Federally-owned inventory shall be conditionally conveyed without substantial consideration. The term "without substantial consideration" is defined as a nominal amount not exceeding the minimum local definition of "consideration" used to transfer real property, generally \$1.00.

"Conditional conveyance", as used here and in 24 CFR 590.7(b)(3), does not necessarily require that the homesteader immediately receive an interest technically classified as a real property interest under applicable State law. If the document contains a contractual right to acquire fee simple title when the homesteader has complied with all of its terms and with the homesteader agreement, that is sufficient for this purpose.

While a LUHA is restricted to the transfer of a property for nominal consideration, the LUHA may require a homesteader to pay for items such as recording fees, transfer taxes and property taxes after acquisition to the extent that such fees and taxes are uniformly applicable to other purchasers of property in the jurisdiction. Furthermore, the homesteader can be required to pay third parties, but not the LUHA or other public agencies, for all of the costs that would normally be incurred in connection with the rehabilitation of the property. This includes, but is not limited to, architectural and inspection fees and costs associated with arranging private rehabilitation financing (if applicable), such as appraisal fees, points, loan origination fees, and closing fees. Where a loan is made directly to a homesteader by the applicant or the LUHA, it is assumed that applicant or LUHA staff or other public or nonprofit staff, will perform these functions; and, therefore, the costs thereof are not to be charged to the homesteader. The homesteader is responsible for payment of the loan principal, plus interest, if any. The LUHA may not pass on to

the homesteader any property management expenses and taxes that it incurs while the property is in its inventory prior to conveyance to the homesteader. Any charges should be clearly distinguishable from the nominal consideration for the property.

The LUHA will include in each deed conveying a property, if applicable, a covenant enforceable under applicable State law, prohibiting the homesteader, or any successor homesteader, from discriminating on the grounds of race, creed, color, sex, national origin, age or handicap in the sale or rental of the property.

- H. Homesteader Agreement. [590.7(b)(5).] The program shall provide for executing, concurrent with or as a part of the conditional conveyance, a Homesteader Agreement between the LUHA and the homesteader which shall require the homesteader to:
1. repair health and safety defects within one year. The agreement must provide that any defects that pose a substantial danger to health and safety will be repaired within one year from the date of conditional conveyance of the property. For purposes of this requirement, States and localities have reasonable discretion in determining what poses a substantial danger to health and safety both to the prospective homesteader and to the community. Any defect that poses such a hazard must be repaired within one year. It should be noted that any repairs financed through the Section 312 Program must also comply with its loan terms. While rehabilitation activity under Section 312 must, under HUD policy, be completed within 24 months, the loan note usually specifies a period not to exceed six months. In general, a homesteader agreement may require that rehabilitation be completed in a shorter time frame than one year unless the shorter term unreasonably impairs the homesteader's ability to utilize self-help in the rehabilitation process where he or she is qualified and willing to do so. Further, States and local governments may enforce generally applicable requirements relating to occupancy of homesteading properties, like any other housing under their jurisdiction.
 2. complete all repairs within three years. The agreement must provide that all additional repairs and improvements necessary to meet the applicable local standards for decent, safe and sanitary housing, and any energy conservation measures designated by the LUHA will be completed within three years from the date of conditional conveyance of the property to the homesteader. Again, this is a maximum permissible period; the homesteader agreement may provide a shorter period where warranted.

3. Occupy the property for five years. The homesteader must agree to occupy the property as his/her principal residence for not less than five consecutive years from the date of initial occupancy. A LUHA shall assure that the date of initial (physical) occupancy is recorded, since the date of the occupancy permit or the date of occupancy projected in the Homesteader Agreement may differ from the date of actual occupancy.

Where a Section 312 loan exists on a homestead property, the LUHA shall assure that the Homesteader Agreement and/or the operative document, i.e., certificate of occupancy, that establishes the actual date of occupancy is submitted to the Section 312 loan servicer for inclusion in the homesteader's loan file. This is necessary in the event the homesteader defaults on the loan prior to the end of the 5-year period, so that the loan servicer will know to contact the LUHA to either work things out with the homesteader or to find a successor homesteader to assume the loan. (See paragraph 3-3.)

The five-year occupancy requirement may be determined infeasible and relief may be granted by HUD on a case by case basis in certain emergency situations. The following are examples under which relief may be granted:

- a. the property may have been made uninhabitable as a result of natural disaster or casualty loss;
- b. the property may have been taken by eminent domain;
- c. the homesteader's job may have been transferred outside of reasonable commuting distance of the property;
- d. the homesteader may have been determined to be mentally incompetent and removed from the property;
- e. the homesteader may have a terminal illness in which death is known to be imminent or the homesteader may have died.

Written requests for relief received from the LUHA will be approved or disapproved by the Field Office after consultation with the Headquarters Urban Homesteading Program Team on a case-by-case basis.

4. Permit inspections. The homesteader must agree to permit reasonable inspections at reasonable times by employees or designated agents of the LUHA to determine compliance with the Homesteader Agreement, including a yearly inspection to verify occupancy by the homesteader.

5. Surrender possession of the property upon material breach of the agreement. The homesteader must agree to surrender possession of (vacate), and any interest in, the property upon any material breach of the Homesteader Agreement (including default on any rehabilitation financing secured by the property -- See paragraph 3-3), as determined by the LUHA.
- I. Monitoring and Selecting Successor Homesteaders. [590.7(b)(6).] The program shall provide for monitoring of the homesteader's compliance with the Homesteader Agreement; revocation of the conditional conveyance and Homesteader Agreement upon any material breach by the homesteader; and, to the extent necessary and practical, selection of one or more successor homesteaders to assume the responsibility for homesteading the property including any existing debt for costs of rehabilitation. The LUHA shall make reasonable efforts to assure that the proposed successor homesteader assumes any Section 312 loan on the property subject to HUD approval of the terms of the assumption. Priority must be given to lower income families. If there are no priority applicants available who are willing or able to assume a Section 312 loan, HUD Headquarters may approve an exception to the requirement that assumptors of 3% Section 312 loans be lower income families in order to let a family above 80% of median income assume the loan. If a successor homesteader is selected, the homesteader shall execute a new Homesteader Agreement and the property shall be conditionally conveyed for a new five-year period, except that HUD may approve a lesser occupancy period to facilitate assumption of a Section 312 loan or any other type of financing on a homestead property. This lesser period cannot be less than the greater of (1) two additional years, or (2) the remaining amount of the original occupancy period.
- J. Fee Simple Title. [590.7(b)(7).] The program shall provide for the conveyance of fee simple title to the property from the LUHA to the homesteader, without consideration, upon compliance with the terms of the Homesteader Agreement and conditional conveyance. This occurs upon completion of rehabilitation and the five-year residency requirement.
- K. Homesteading Infeasible; Alternative Use. [590.7(b)(8).] If homesteading of a federally-owned property after acquisition by the LUHA proves to be infeasible in the judgment of HUD, the LUHA shall not demolish, dispose of, rent or otherwise convert the property to its own use until the Field Office has approved an alternative use of the property consistent with the coordinated approach to neighborhood improvement. (See Chapter 10, Alternative Uses of Federally-Conveyed Urban Homesteading Property.)

3-2. CONFLICT OF INTEREST

The Urban Homesteading conflict of interest exclusion is intended to avoid any appearance of unfairness in the conduct of the program.

The exclusion applies to the individuals listed below and to those with whom they have family or business relationships. The period of coverage is during their current tenure and one year thereafter.

A. Persons not Eligible

1. No person shall be awarded an Urban Homesteading property, or receive a personal or financial interest or benefit from the award or rehabilitation of an Urban Homesteading property, or have any interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, if that person is:
 - a. an elected or appointed official or officer of the applicant;
 - b. an elected or appointed official or officer of the public agency or qualified community organization designated as the Local Urban Homesteading Agency (LUHA); or
 - c. an employee, agent, contractor, or consultant of the applicant or public agency or qualified community organization designated as the LUHA who:
 - (1) exercises or has exercised any functions or responsibilities in connection with the administration of the Urban Homesteading Program, or assists or has assisted with rehabilitation activities, or
 - (2) is in a position to participate in a decision making process or gain inside information with regard to such activities.

B. Exceptions

1. Threshold requirements

Upon the written request of the applicant, HUD may grant an exception to this exclusion on a case-by-case basis when it determines, using the factors listed in paragraph C. below, that such an exception will serve to further the purposes of the Urban Homesteading Program. An exception may be considered only after the applicant has provided the following:

- a. a disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and
- b. an opinion of the applicant's attorney that the interest for which the exception is sought would not violate State or local law.

C. Factors to be considered for exceptions

In determining whether to grant a requested exception after the applicant has satisfactorily met the threshold requirements listed above, HUD shall consider the cumulative effect of the following factors, where applicable:

1. whether the exception would provide significant benefit to the program or project which would otherwise not be available;
2. whether an opportunity was provided for open competitive bidding or negotiation;
3. whether the person affected is a member of a group or class of lower income persons intended to be the primary beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
4. whether the affected person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted activity in question;
5. whether the interest or benefit was present before the affected person was in a position as described under "Persons not Eligible;"
6. whether undue hardship will result either to the recipient or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and
7. any other relevant considerations.

3-3. FINANCING MECHANISMS FOR URBAN HOMESTEADING PROPERTIES [590.7(b)(4).]

The program shall provide procedures for the LUHA to undertake, or assist the homesteader in arranging, financing for rehabilitation required under the Homesteader Agreement. This requires the LUHA to assist the homesteader in securing financing or, if it chooses, to provide financing for the rehabilitation required under the Homesteader Agreement.

A. Section 312 Loan Program

If financing is through the Section 312 Loan Program, the LUHA shall assist HUD in monitoring and securing compliance with the terms of the loan during the homesteader's conditional title period, including securing an assumptor for the Section 312 loan, subject to HUD approval, in order to obtain a successor homesteader after the breach of the homesteader agreement or the Section 312 loan documents by the original homesteader.

1. Language to include in Homesteader Agreements. [See Section 312 Rehabilitation Loan Program Handbook, HUD 7375.01 REV-2, paragraph 12-16(b).] In order to avoid the possibility of a homesteader becoming entitled to full fee simple title to a homesteading property when he or she is not repaying a Section 312 loan, the Local Urban Homesteading Agency should include substantially the following language in each Homesteader Agreement involving Section 312 rehabilitation financing:

"The homesteader agrees that a default under the promissory note, the rehabilitation loan agreement, or the mortgage (deed of trust) evidencing any Section 312 loan obtained to finance the rehabilitation of the homestead property shall constitute a default under this Urban Homesteader Agreement. This entitles the Local Urban Homesteading Agency to enforce any and all remedies available for a material breach or default under this agreement, including forfeiture of the homesteader's interest in the property. Specifically, the homesteader shall have no right to a final conveyance of the homesteading agency's reversionary interest in the property unless the homesteader is current on his or her Section 312 loan."

2. Loan Delinquency. If a Section 312 loan on a homestead property becomes delinquent, the following will occur:
 - a. After 30 days. The Section 312 master servicer will send a letter to the homesteader and the LUHA, and request the LUHA to begin proceedings to obtain a voluntary settlement or to exercise its reversionary interest. Upon receipt of this notice, the LUHA must contact the homesteader by letter, telephone, or personal visit to relate the importance of prompt payment and to remind the homesteader that non-payment constitutes a breach of the Homesteader Agreement, thus resulting in forfeiture of the property if neglected. The LUHA's collection efforts must be reported to the Section 312 master servicer at (800) 876-5626.

- b. After 60 and 90 days. The master servicer will send a letter to the homesteader after 60 days to accelerate the loan and again request the LUHA to obtain a voluntary settlement or to exercise its reversionary interest. A letter will also be sent to the homesteader and LUHA after 90 days, at which time the LUHA should have already taken action to evict the homesteader.

3. Actions of LUHA to Obtain Voluntary Transfer of Property and Assumption of Section 312 Loan. A default on a Section 312 loan in and of itself constitutes a breach of the Homesteader Agreement, if the agreement contains the provisions required in paragraph 12-16(b) of the Section 312 Handbook as cited above. When a breach cannot be resolved, the homesteader must surrender all interest in the property and must vacate the property and the LUHA must attempt to re-homestead the property. When the reversionary interest is exercised by the LUHA, the security interest of the Section 312 loan executed by the homesteader will be cut off for HUD, but the original homesteader remains responsible for repayment of the loan. In this situation, HUD may seek a judgment as a recourse to collect the loan. The possibility of such action may serve as an inducement to the Section 810/312 homesteader to agree to a voluntary transfer, and is an action which should be presented to a homesteader who is in default.

The LUHA should attempt to persuade the original homesteader in default to voluntarily transfer his or her interest in the property and the liability of the loan to a new homesteader by:

- a. offering the original homesteader a general release of liability on the Section 312 loan (prepared by HUD Field Counsel or the master servicer for approval by the Office of Urban Rehabilitation); and
- b. agreeing that the homesteader's credit record and future eligibility for other HUD programs will not be affected.
4. Finding Successor Homesteader. As an aid to finding a successor homesteader who can afford the property, HUD may consider:
- a. a reduction in the principal amount of the Section 312 loan (and consequent reduction in the monthly payments) in cases where the appraised value of the property is less than the amount of the loan. If the original outstanding principal balance exceeds \$20,000, the Federal Claims Collection Standards (4 CFR 101-105) requires Justice Department concurrence, as a "compromise" of the loan obligation.

- b. a write off of accrued interest.

Arrangements to obtain a current appraisal must be discussed with Headquarters Section 312 staff.

Where there is a voluntary transfer and assumption of the Section 312 loan, the successor homesteader must acquire the conditional title from the original homesteader, sign a new or modified Homesteader Agreement with the LUHA (which incorporates a new 5-year continuous occupancy period), and assume the Section 312 loan under the existing documents, or under modified documents, as appropriate. The LUHA is responsible for the preparation of homesteader and Section 312 loan documents; however, any modification to Section 312 loan documents must be cleared by HUD Field Counsel.

Any proposed assumption must be cleared with the Section 312 Rehabilitation Management Specialist/Urban Homesteading Coordinator before the property is transferred to a successor homesteader. A copy of the new Homesteader Agreement should accompany the 312 loan assumption documents submitted to HUD. If a reduction or write-off of any part of a Section 312 debt is anticipated, it must be coordinated with Headquarters Section 312 staff and the master servicer.

5. Exercising the Reversionary Interest. If a homesteader resists a voluntary surrender of possession and transfer of the property to a successor homesteader, the LUHA must take steps to exercise its reversionary interest (or the equivalent), to evict the original homesteader, to protect the property from vandalism, and to find a successor homesteader to assume the loan.

The LUHA's recapture of possession and/or title to the property may wipe out HUD's security interest for the Section 312 loan, but it will not wipe out the loan itself. The loan, however, cannot be assumed by a successor homesteader without the consent of the original homesteader. The LUHA may facilitate an assumption by requiring all homesteaders to execute an irrevocable power of attorney at the time of conditional conveyance and the signing of the Section 312 loan documents, which would give the LUHA consent in advance to transfer the Section 312 loan to a successor homesteader in the event of a breach of the homesteader agreement. Without such a document, there can be no voluntary assumption of the Section 312 loan and the original homesteader continues to remain liable for payment. If a successor homesteader assumes the Section 312 loan after the LUHA exercises its reversionary interest, the

terms of the assumption and procedures noted in (b) above should be followed, except that the successor homesteader acquires the property from the LUHA instead of the original homesteader.

6. Foreclosure. Foreclosure or a deed in lieu of foreclosure divests the original homesteader of his or her right to owner occupancy of the property, also breaching his or her conditional title and Homesteader Agreement. Therefore, in foreclosing, HUD acquires only a partial interest in the property which is essentially worthless, unless it is merged with the reversionary interest held by the LUHA. A foreclosure also wipes out the Section 312 loan.

Therefore, a foreclosure or deed-in-lieu is a viable option for homesteading properties prior to conveyance of fee simple title to the homesteader only under the following circumstances.

- a. The property has substantial net value over and above the estimated cost of foreclosure, superior liens, and property management expenses;
- b. The LUHA has first used all reasonable efforts to arrange a voluntary settlement with the original homesteader, in order to transfer the property to a successor homesteader who will assume all or a substantial portion of the Section 312 loan, which also both preserves the property for homesteading and minimizes the Government's Section 312 loss;
- c. The LUHA quit claims its interest in the property to HUD prior to the initiation of foreclosure (or acceptance by HUD of a deed-in-lieu) so that HUD acquires an interest it can dispose of; and
- d. The LUHA also agrees not to reclaim the property from HUD's inventory for re-homesteading.

If the property has substantial net value and the LUHA does not cooperate with respect to items 2, 3, and 4 above, HUD will view the LUHA as causing unnecessary losses to the Section 312 revolving fund and the Section 810 appropriation, and will consider terminating the LUHA's participation in these programs.

7. Tax Consequences Involving Loan Delinquencies.

- a. The LUHA must report to the IRS on Form 1099-S any gross proceeds of sale of a homestead/Section 312 security property (including the amount of the loan assumed) from a

voluntary conveyance or through exercise of the reverter clause.

- b. HUD Headquarters must report to the IRS on Form 1099-G the amount of principal reduction or accrued interest forgiveness in connection with a compromise.
- c. HUD Headquarters must report to the IRS on Form 1099-A when a Section 312 loan is foreclosed by HUD, a deed-in-lieu is accepted by HUD, or the security property is abandoned by the homesteader.
- d. The Field Office Section 312/Urban Homesteading Coordinator must inform Headquarters when the circumstances in Items 2 and 3 occur so that the forms so noted can be filed.

B. Other public or private financing.

Where the rehabilitation is financed for a homesteading property with other public funding, such as CDBG funds, the LUHA should consider including language similar to that in paragraph 3-3 A.1. of this Handbook, in the Homesteader Agreement and/or the conditional conveyance instruments. The LUHA's homesteading interest may not be subordinated to a lien securing other public financing.

If a private lender is involved, HUD recommends that the LUHA negotiate with the lender a separate agreement wherein the lender will provide notification to the LUHA of any delinquency or default prior to any formal action; that the LUHA will be provided a reasonable period of time in which to exercise its reversionary rights, including action to remove the homesteader from the property, if necessary; and the LUHA can find a replacement homesteader to assume the existing obligation. Where private lenders are involved, the LUHA may find it necessary to make payments to keep the loan current until the successor homesteader is located. CDBG funds may not be used to make such loan payments unless there was a legally binding commitment to do so (such as a loan guarantee) prior to commencement of rehabilitation.

3-4. OTHER REQUIREMENTS.

A. Annual Inspection

The LUHA must verify by an on-sight inspection on an annual basis, the continued occupancy of the homestead property by the homesteader during the 5-year conditional period.

B. Flood Disaster Protection Act (42 USC Section 4012a; 4106)

Buildings located within special flood hazard areas identified by the Federal Emergency Management Agency under the National Flood Insurance Program (NFIP) are subject to the Act and implementing regulations. The two requirements affecting homesteading properties are:

1. Either the LUHA as the initial owner or the homesteader as the ultimate owner must:
 - a. purchase flood insurance coverage (see paragraph 3 below);
 - b. renew the coverage so that the flood insurance policy does not lapse during the mandatory period (see paragraph 5 below); and
 - c. provide proof of purchase of insurance to the HUD Urban Homesteading Coordinator if HUD is transferring the property to the LUHA, or to the LUHA if the LUHA is transferring the property to the homesteader -- for inclusion in the homesteading file.
 2. The unit of general local government's responsibility is:
 - a. to establish and maintain its eligibility as a participant in the NFIP; otherwise homesteading is prohibited for buildings located in special flood hazard areas by Section 202(a) of the Act; and
 - b. to assure compliance with Section 102(a), which prohibits homesteading in a special flood hazard area, unless the property is covered by flood insurance.
 3. The LUHA must check property locations against NFIP flood maps to determine whether properties to be transferred are located within Flood Hazard Zones "A" and "V" series and for which flood insurance is required.
 4. Premium. Flood insurance coverage must be in the amount at least equal to the property value (less estimated land value) or to the maximum limit of coverage available with respect to the particular type of property as set forth under the Act, whichever is less.
 5. Term. The mandatory period for flood insurance is for the useful life of the property. The NFIP will assure compliance by providing an annual notification to HUD for any property transferred to the LUHA, but not yet transferred to a homesteader, and to the LUHA for any property transferred to a
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homesteader. In completing the flood insurance application form, the LUHA or homesteader, as appropriate, will indicate the name and address of the monitor (HUD or the LUHA), in item #6 or #7 on the Federal Emergency Management Agency (FEMA) Form 81-16 or comparable form authorized by FEMA. Thereafter, FEMA will forward to the monitor (HUD or the LUHA) the insurance renewal premium notice and the national flood insurance expiration reissue premium notice in the same manner as it does to the insured (the LUHA or the homesteader). Samples of these forms are contained as Exhibits 12-1 through 12-4 of HUD Handbook 7375.01, Rev. 2, Section 312 Rehabilitation Loan Program. The LUHA should keep an up-to-date listing of each insured property, including address, description, amount and the mandatory period of insurance coverage, the expiration and renewal dates of the flood insurance policy, the name and address of the insurer, and the applicable insurance policy numbers; and take any reasonable means to enforce the legal requirements and consult with the HUD Field Office promptly on any unresolved flood insurance purchase problem or delinquency.

C. Lead-Based Paint

Pursuant to 24 CFR section 590.11(d)(6), the Department's regulations with respect to lead-based paint at 24 CFR Part 35 are currently applicable to the Urban Homesteading Program. Part 35 contains the following relevant provisions:

1. Requirement of notification to "purchasers" of housing constructed prior to 1978 of the hazards of lead-based paint poisoning (Part 35, Subpart A). Although homesteaders are not technically "purchasers," the LUHA should nevertheless do this notification before a prospective homesteader accepts title to the property, as part of the process of informing the prospective homesteader about the results of the inspection and what rehabilitation is required to correct "immediate hazards" on "applicable surfaces" under Part 35, Subpart C. Thus, the homesteader will be in a position to accept title knowing what rehabilitation is required to meet lead-based paint hazard elimination standards.
2. Prohibition of the use of lead-based paint in federally assisted rehabilitation (Part 35, Subpart B).
3. Provision requiring the inspection of housing constructed prior to 1978 and its treatment to eliminate "immediate hazards" on "applicable surfaces" (Part 35, Subpart C). Under Part 35, this consists principally of the covering or removal of defective paint surfaces, defined as cracking, scaling, peeling, chipping or loose paint. These conditions shall be

eliminated as part of the rehabilitation undertaken by the homesteader under the direction of the LUHA.

Some housing transferred to LUHAs may have already been treated by HUD to eliminate lead-based paint hazards as part of HUD's property disposition process; notification of hazards is still required for these properties. In addition, if the property is being rehabilitated with either CDBG or Section 312 funds, more stringent hazard elimination requirements will apply (CDBG -- see 24 CFR section 570.608; Section 312 -- see 24 CFR section 510.410). Finally, Section 566 of the Housing and Community Development Act of 1987 substantially amends the Lead-Based Paint Poisoning Prevention Act, essentially to require testing of HUD-associated housing constructed or substantially rehabilitated prior to 1978, and treatment of both intact and non-intact paint surfaces. LUHAs shall comply with HUD's regulations implementing the new act with respect to all properties transferred to homesteaders.

CHAPTER 4. APPLICATION REVIEW AND PROCESSING

4-1. PREAPPLICATION PROCEDURES

A. Technical Assistance

When a State or unit of general local government indicates a desire to participate in the HUD Section 810 Urban Homesteading Program, the Urban Homesteading Coordinator shall explain the statutory, regulatory, and program management requirements. The Coordinator may request the technical assistance of Field Office specialists, e.g., FHEO, Regional or Field Counsel's Office, etc., to provide advice to the State or unit of general local government. Additionally, the help of other local officials who have experience in administering a homesteading program may be called upon to provide valuable insights for their peers.

B. Planning Information

If the State or unit of general local government wishes to apply to participate in the program, the Coordinator shall provide the prospective applicant with a copy of this Handbook and shall specifically:

1. Explain the program application requirements;
2. Inform the State or unit of general local government of the other Federal requirements that should be considered in the planning stages, e.g., Flood Disaster Protection Act, lead-based paint, affirmative marketing, etc;
3. Make a preliminary evaluation of the capacity of the State or unit of general local government to initiate a program and provide whatever additional technical assistance on program design and management as may be necessary or requested;
4. Inform the State or unit of general local government that it, or its designated public agency or qualified community organization, must have the legal authority to carry out an Urban Homesteading Program, such as the acceptance and conveyance of properties under the provisions of the Act and 24 CFR Part 590;
5. Inform the State or unit of general local government of the range of funds that would be available in the Field Office based on the timing of program initiation during the fiscal year and the number of available properties currently suitable for homesteading;

6. Inform the State or unit of general local government that it should be reasonably certain that it will be able to acquire a minimum of five properties each fiscal year. This may not be possible for a LUHA that is approved near the end of the fiscal year, but should occur in subsequent years in order for the program to be cost effective;
7. Encourage the State or unit of general local government to establish a counseling and/or training program that adequately informs the homesteader of his/her homesteading responsibilities, and how to manage and maintain a home;
8. Provide a listing of HUD-owned properties in the State or unit of general local government's jurisdiction not subject to executed repair or sales contracts or leases; and
9. Have the State or unit of general local government request a similar listing of VA- and FmHA-owned properties from the offices of those agencies having jurisdiction over the locality. No interruption of disposition activities for properties on the lists provided by the Federal agencies shall occur during this preapplication stage.

4-2. APPLICATION SUBMISSION REQUIREMENTS

A. Identity of Applicant

The applicable State or unit of general local government must be the applicant seeking approval of the local urban homesteading program from HUD. The State or unit of general local government may directly act as the local urban homesteading agency (LUHA) or it may designate a separate, independent local public body or qualified community organization to act as the LUHA, provided that such body also executes the Urban Homesteading Program Participation Agreement with HUD. In either case, the program application is executed in the name of, and submitted by, the responsible State or unit of general local government itself.

B. Submission of Application

The Chief Executive Officer of the State or unit of general local government or his/her authorized representative, may execute and submit an application for the first time at any time during the year to the appropriate HUD Field Office. In subsequent years, the State or unit of general local government will submit an annual request to continue program participation no later than August 1 of each year (see paragraph 4-7). The application or annual request to participate cannot be executed in the name of, or be submitted by, a designated public agency or qualified community organization alone.

C. Content of Application [590.11 (a).]

The initial application shall contain:

1. Standard Form 424 (Appendix 2).
2. A map of each proposed urban homesteading neighborhood with geographic boundaries indicated and census tracts shown.
3. A statement of the local goals for the homesteading program for each neighborhood selected. Goals should be in conformance with the locality's overall community development goals. This will assist the LUHA and HUD in judging whether the program is achieving the intended results and whether its procedures are consistent with meeting its goals.
4. A description of the applicant's proposed homesteader selection procedures which complies with Chapter 3, paragraph 3-1, F. and 24 CFR 590.7(b)(2).
5. The applicant's proposed legal documents for conditional and fee simple conveyance and the Homesteader Agreement, developed pursuant to 24 CFR 590.7(b)(3), (5) and (7).
6. An estimate of the amount of Section 810 funds to be used during the current Federal fiscal year and a statement describing the basis for the estimate, including the number of properties expected to be acquired during the year prepared after consultation with HUD/FHA, FmHA or VA, as appropriate.
7. If the applicant itself will be acting as the LUHA, the applicant should identify the department, bureau, or office of the State or unit of local government that will be responsible for the local Urban Homesteading Program. If the applicant will be designating a separate public body or a qualified community organization as LUHA, the applicant must submit a written agreement which meets the requirements noted in Chapter 3, paragraph 3-1, D, and 24 CFR 590.7(c). Identification of the local contact person, and his/her title and telephone number, should be included.
8. Certifications meeting the requirements of 24 CFR 590.11(d) signed by the locality's Chief Executive Officer or their authorized representative and the Chief Executive Officer or authorized representative of the designated LUHA (Appendix 3).
9. Any additional documentation that HUD requests after initial application review pursuant to the standards of 24 CFR 590.13.

D. Field Office Responsibility

The Urban Homesteading Coordinator shall:

1. Immediately upon receipt of the application in the Field Office, date stamp the application and log it in the Field Office records;
2. Within three days of the log-in date, screen the application for completeness in accordance with the requirements of paragraph C. above; and
3. Within five days of such log-in date, notify the applicant in writing that the application has been received and officially accepted for review or is being returned because there are missing items or deficiencies.

4-3. INITIAL APPLICATION REVIEW

A. Field Office Responsibility

Application reviews shall be made by Community Planning and Development (CPD) staff, Fair Housing and Equal Opportunity (FHEO) staff, the Environmental Clearance Officer (ECO), and consultation with Field Counsel, as appropriate. All reviews shall be completed within 30 calendar days from the date that the Field Office officially accepts the application for review. (See paragraph 4-2(D)(3).)

B. Community Planning and Development Review

1. The Urban Homesteading Coordinator shall review the initial application to determine whether it may be approved under the application review standards of 24 CFR 590.13. This requires the proposed program to comply with all requirements of the Act, 24 CFR Part 590, and any other applicable laws and regulations, and this Handbook. A LUHA may be requested to supplement its application to provide evidence of the legal authority empowering the LUHA to carry out its program, the appropriateness of its program design (including program advertising and marketing methods), or any other data to which the locality certified or is relevant to application approval.
2. The Urban Homesteading Coordinator shall consult with other CPD staff (CPD Representative, Rehabilitation Management Specialist, etc.) to learn if they have any information, based on past experience with the applicant in administering housing rehabilitation and community development programs, which is substantially inconsistent with the applicant's certification concerning its ability to administer a program in a timely and

cost effective manner. Specifically, does the applicant or its designated administering agency have the capacity to administer this new program or does it show a demonstrated lack of capacity to undertake this added responsibility.

3. The application must be consistent with all available facts and data. That is,
 - a. Are there monitoring issues, audit findings, etc. related to other HUD programs that should be resolved before this new program is considered for approval?
 - b. If the applicant designates a public agency or a qualified community organization as the Local Urban Homesteading Agency to administer the program, is the agency a legitimate public or non-profit agency? If there is any question about the eligibility of a particular LUHA, the Field Office Counsel should be consulted.
 - c. Does the estimated value of foreclosed Federal properties come within the \$25,000 value permitted under the regulation to acquire a Section 810 property? Is the estimate reasonable in light of property values in the designated urban homestead neighborhoods? If not, will the applicant utilize other community development funds in conjunction with Section 810 funds to acquire the intended federally-owned properties for homesteading. No new program should be approved that requires an authorization to acquire higher value properties upon initial entry into the program (see Chapter 7, paragraph 7-3, B.), unless the LUHA agrees to supplement the Section 810 funds with CDBG or other public funds.

C. Environmental Review

HUD compliance with 24 CFR Part 50 requires that an environmental review be completed either prior to HUD approval of the Urban Homesteading application (and prior to HUD approval of any amendment to add, delete, or alter the boundaries of target urban homesteading neighborhood(s)) or prior to the transfer to the LUHA of any property in a neighborhood which has not had an acceptable environmental review under 24 CFR Part 50.

The environmental review will consist of one of the following:

1. Adoption of a prior environmental review where the State or unit of general local government, for purposes of its separate CDBG, UDAG, Section 312, or Rental Rehabilitation Programs, has completed an environmental assessment or Environmental Impact Statement in the proposed urban homesteading neighborhood(s). This shall include a comprehensive review of environmental

conditions in the proposed target urban homesteading neighborhood(s) and review of how the proposed urban homesteading actions and all other related public actions impact the environment of the proposed target neighborhood(s).

The Field Office Environmental Officer shall determine whether the review submitted by the State or local government is acceptable. If it is acceptable, the Environmental Officer shall document this in writing; or

2. Where there is no such acceptable prior review, the State or unit of general local government may prepare a new or amended environmental assessment or Environmental Impact Statement for its separate CDBG, UDAG, Section 312, or Rental Rehabilitation Program or independently to include both the urban homesteading neighborhood(s) and activities. If the new or amended environmental assessment or Environmental Impact Statement is found acceptable, the Field Office Environmental Officer shall document this in writing; or
3. If there is no prior environmental review (as in #1 above), or if the State or unit of general local government elects not to prepare an assessment (as in #2 above), a review is required on each property that the LUHA identifies on Form 40050 to be transferred. Where the aggregation criteria of 24 CFR 50.21 are applicable, the affected units listed on Form 40050 shall be evaluated together, including pertinent environmental aspects of the community's coordinated approach to neighborhood improvement for the LUHA-designated neighborhood. The LUHA is required to provide documentation that will enable the HUD Urban Homesteading Coordinator to prepare the environmental review in accordance with Part 50. The Field Environmental Office will provide advice and assistance, as necessary.

HUD and LUHA's should be aware that all properties entering the HUD inventory of foreclosed properties are subject to environmental review by HUD Property Disposition staff. Furthermore, later, when the property is transferred to the individual homesteader and the rehabilitation funding source has been identified, an additional review will be necessary if the funding source is a Section 312 loan. Where Section 312 loans are used, the LUHA or the local processing agency (LPA) will furnish to HUD the appropriate information needed for treatment of rehabilitation activities required for compliance with 24 CFR Part 50.4 and in accordance with the procedures described in the Section 312 rehabilitation Loan Financing Handbook, HUD Handbook 7375.01, Rev-2.

D. Fair Housing and Equal Opportunity Review

FHEO staff shall review the application under the standards in 24 CFR 590.13 with respect to the requirements of 24 CFR 590.11(d)(5)

and paragraph 3-1, E. of this Handbook for the applicant and LUHA to comply with civil rights laws and do affirmative marketing. This is intended to ensure non-discrimination in the selection of homesteaders and that no eligible person is denied equal opportunity for housing, or excluded from equal participation in the homestead program, on the basis of race, creed, color, national origin, age, sex, handicapping condition, religion, or familial status and that the applicant and LUHA will comply with all requirements of Title VI of the Civil Rights Act of 1964; Executive Order 11063; Title VIII of the Civil Rights Act of 1968, as amended; section 504 of the Rehabilitation Act of 1973; and the Age Discrimination Act of 1975, Section 562 of the Housing and Community Development Act of 1987, and all applicable regulations issued under these authorities, in any activity in its Homestead Program.

E. Legal Review

Legal staff shall review the applicable homesteader conveyance documents, as applicable, contained in the application for compliance with 24 CFR Part 590 and this handbook, and State and local law. Field Counsel shall also review the written agreement between the applicant and the LUHA, if any, for compliance with 24 CFR 590, particularly 590.7(c), and this Handbook. Field Counsel may rely on opinions of public body counsel as to questions of State and local law, or may independently assess these questions, at their discretion.

F. Coordination of Reviews. Completed reviews of the application shall be sent to the Urban Homesteading Coordinator for coordination in completing the approval/disapproval process (or further action in accordance with paragraphs G. and 4-4 below.)

G. Correction of Deficiencies and/or Disapproval of the Application. If information presented in any reviews of the application indicates the applicant does not meet the review standards of this paragraph (Application Review, paragraph 4-3) and 24 CFR 590.13, the applicant shall be given the opportunity to develop appropriate alternatives.

1. If adequate alternatives can address the deficiencies, a letter for the CPD Director's signature shall be sent to the applicant outlining the recommended changes in the program and requesting a response within 30 calendar days.
2. If there are no workable alternatives, the CPD Director shall send a letter to the applicant stating the specific reason(s) for disapproval of the application, as required by 24 CFR 590.13.

4-4. APPROVAL OF THE PROPOSED URBAN HOMESTEADING PROGRAM

- A. When the Urban Homesteading Coordinator has reviewed the assessments of the application and all requirements of the statute and regulations have been fulfilled and there appear to be no impediments to a workable program, the program shall be recommended for approval.
- B. If a satisfactory revision to the program is proposed by the applicant in response to HUD recommendations under paragraph 4-3, G.1, the program shall also be recommended for approval.
- C. If a revision to the program is proposed by the applicant which will require time to implement, and the program is feasible to start prior to full correction of the problem area, the program may be recommended for approval, with conditions.
- D. The Urban Homesteading Coordinator shall review the number and estimated fair market value of federally-owned properties in the urban homesteading neighborhood(s); the availability of Section 810 funds to the Field Office; the readiness of the locality to begin property transfers; and the length of time left in the fiscal year to spend funds. Based on this review, the Coordinator shall prepare an approval package for the Field Office Manager's signature which includes:
 1. The CPD Director's recommendation to the Field Office Manager to approve the program;
 2. If funds are available at the time of application approval, an approval letter to the Chief Executive Officer (CEO) of the applicant stating the amount of funds assigned to the Field Office, and that funds will be reserved for specific properties on a first-come, first-served basis upon execution of the Urban Homesteading Program Participation Agreement, and the assignment of a program number which reflects the current fiscal year (see Chapter 5, Numbering System for Urban Homesteading Documents). The items noted in subsection 4 below must be attached. If a temporary 60-day initial allocation of Section 810 funds is to be made available to the LUHA at this time pursuant to 24 CFR 590.21 and paragraph 6-3.C. of this Handbook, the letter should also discuss that allocation. (Appendix 26C)
 3. If funds are not available at the time of application approval, an approval letter to the CEO that assigns a program number to the LUHA (Appendix 26A). The letter shall indicate that there is a delay in funding and the anticipated date of when funds will be available in the Field Office. The items noted in subsection 4 below must accompany this first letter to the CEO. Upon availability of funds, a second letter shall be

sent to the CEO that states the amount of Section 810 funding assigned to the Field Office (Appendix 26B). This letter shall state that funds will be reserved for the LUHA for specific properties on a first-come, first-served basis, upon execution of the Urban Homesteading Agreement. If a temporary 60-day initial allocation of Section 810 funds is to be made available to the LUHA at this time pursuant to 24 CFR 590.21 and paragraph 6-3.C. of this Handbook, the letter should also discuss that allocation.

4. An original and two copies of the HUD-40051, Urban Homesteading Program Participation Agreement (Appendix 4).
- E. The approval package shall be transmitted to the Field Counsel for concurrence.
- F. When the approval package has been concurred in by the Field Counsel, the package shall be submitted to the Field Office Manager for signature. Upon execution of the approval package, the Urban Homesteading Coordinator shall send the approval letter, including items listed in paragraph 4-4, D. 4, above to the Chief Executive Officer (CEO) of the applicant. The CEO of the applicant, or the authorized representative, and the CEO or the authorized representative of any separate public agency or qualified community organization designated to administer the program, if applicable, will sign the Urban Homesteading Program Participation Agreement, return the original copy to the Urban Homesteading Coordinator and retain a signed copy.
- G. When the Urban Homesteading Program Participation Agreement is executed and returned to the Field Office by the applicant, the Urban Homesteading Coordinator shall:
 1. Forward copies of the Agreement to the Regional Accounting Director and the Regional Director for Community Planning and Development;
 2. Send one copy of the Agreement, Standard Form 424, application and approval letter to the Director, Urban Homesteading Program, Rehabilitation Loans and Homesteading Division, Office of Urban Rehabilitation, CPD, Headquarters; and
 3. Give a copy of the Standard Form 424 to the FORMS/CPD Data Base Manager who will enter the appropriate information on the C24 management information system (See Chapter 11, Reporting and Recordkeeping).

In subsequent approvals of any Program Amendments as noted in paragraph 4-6 below, the Urban Homesteading Coordinator shall provide approval documentation to the same offices as stated in this paragraph.

4-5. URBAN HOMESTEADING PROGRAM PARTICIPATION AGREEMENT

- A. The Urban Homesteading Program Participation Agreement, HUD Form 40051 (Appendix 4), executed by the Field Office Manager, the CEO of the applicant, or the authorized representative, and the CEO or the authorized representative of any independent public agency or qualified community organization designated as a LUHA, if applicable, shall be valid until the local urban homesteading program is closed out by HUD. (Agreements are not executed on an annual basis.) The Agreement is re-executed by all parties only when the administering agency for the local program changes (See paragraph 4-6, G).
- B. The Agreement does not obligate HUD, the VA or FmHA to transfer title to a specific number of properties or particular properties identified in the application; and it does not legally obligate HUD to expend a specific amount of Section 810 funds in connection with the program.
- C. The regulations in 24 CFR Part 590 become part of the Agreement.

4-6. PROGRAM AMENDMENTS

- A. At any time during the year the Chief Executive Officer, or authorized representative, of the State or unit of general local government may submit proposed amendments to a HUD-approved local urban homesteading program. HUD approval is required before the State or unit of general local government changes the size, location or number of urban homesteading neighborhoods; the public agency or qualified community organization designated to administer the program; the goals of the program; the homesteader selection procedures; or substantially changes the legal documents transferring the property to the homesteader.
- B. Requests for HUD approval of program amendments shall include, as applicable:
 - 1. a cover letter explaining the reasons for the requested revision,
 - 2. a Standard Form 424 attaching, to the extent applicable:
 - a. a revised goals statement for the neighborhood(s);
 - b. a map of the revised urban homesteading areas;
 - c. a revised LUHA designation;
 - d. a description of the revised homesteader selection procedures;

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- e. the applicant's revised legal documents for conditional and fee simple conveyance and the Homesteader Agreement.
- C. The Urban Homesteading Coordinator will have the requested amendments to the initial application (see paragraph 4-2, C.) (except funding) reviewed by the original application reviewers, to the extent necessary, in accordance with 24 CFR Part 590.13(b) and paragraph 4-3, taking into account the overall performance of the applicant under the performance standards in 24 CFR 590.29(a) as well as the nature of the amendments themselves.
- D. Reviews based on the following criteria should be completed within 30 calendar days. Additional data needed for the reviews may be requested from the State or unit of general local government.
1. Altering Target Neighborhood Boundaries. Reviews of requests to enlarge or contract approved urban homesteading neighborhood boundaries should focus on whether the applicant's stated goals for the program can continue to be achieved in a cost-effective manner; whether appropriate supporting activities and services will continue to be supplied; whether properties suitable for homesteading are available; and whether sufficient financial resources to support the required rehabilitation are available. Above all, approval of proposals to alter or change neighborhoods should take into consideration the LUHA's prior performance in selecting properties and moving them through the homesteading process.
 2. Changing Target Neighborhoods. Reviews of requests to add or delete urban homesteading neighborhoods should focus on the same criteria as paragraph 1 above, with particular emphasis on the goals of the applicant and the suitability of the new neighborhood(s) for the type of treatment proposed.
 3. Changing Neighborhood Goals. Reviews of requests to change the applicant's goals for the urban homesteading target neighborhood(s) should focus on the consistency of the new goals with the statutory goals of the program as stated in 24 CFR 590.1(b); that is, the purpose of the program is to use existing housing stock to provide homeownership opportunities primarily for lower-income families, and encouraging public and private investment in the homestead neighborhood(s) thus assisting in their preservation and revitalization. The new goals should be achievable in a timely manner consistent with the resources of the applicant; economic and neighborhood conditions; the state of the housing market; the ability of public and private supporting agencies to perform for the applicant; and the likelihood of the other public and private investment materializing.

4. Changing Homesteader Selection Procedures. Reviews of homesteader selection procedures must focus on compliance with 24 CFR 590.7(b)(2) and paragraph 3-1, D. and E. of this Handbook.
 5. Changing Legal Documents. Review of these documents should be conducted under the principles stated in paragraph 4-3, E. of this Handbook.
 6. Changing Designated Administrative Agencies. Reviews of requests to change the applicant's designated agency should focus on the legal and administrative capacity of the new agency to carry out the program in a timely and cost-effective manner. Specifically, Field Counsel should also review the written agreement with the LUHA under the principles stated in paragraph 4-3, E. of this Handbook and, in addition, shall assure that appropriate provisions are included to transfer interests in homestead properties held by the former LUHA to the new LUHA in accordance with 24 CFR 590.7(c)(3)(iii).
- E. As a result of periodic performance monitoring, deficiencies in program operation may require HUD to recommend or require program revisions in addition to providing technical assistance. The Urban Homesteading Coordinator should inform the locality of any recommendations and provide the necessary technical assistance.
- F. The procedures for program disapproval or approval actions in paragraphs 4-3, G. and 4-4 above shall be followed for program revisions that are basically application changes.
- G. The Urban Homesteading Agreement shall be amended to reflect the approved change in the designation of a new administering agency for the local urban homesteading program and shall be re-executed by the Field Office Manager, the Chief Executive Officer of the applicant, or the authorized representative, and the CEO or the authorized representative of the administering agency.

4-7. ANNUAL REQUEST FOR PROGRAM PARTICIPATION

- A. The Chief Executive Officer or authorized representative of the State or unit of local government (the applicant) shall, no later than August 1 of each succeeding Federal fiscal year, send a request to the Field Office Manager for continued program participation. A Standard Form 424 is not required to continue in the program unless the LUHA is also making program revisions at this time (see paragraph 4-6).
1. If the applicant wishes to actively participate in the program with federally-owned properties, the letter for continued program participation must contain an estimate of the Section 810 funds needed for the year, along with a brief description

of the basis for the estimate, including the number of properties expected to be acquired during the year prepared after consultation with HUD/FHA, FmHA or VA, as appropriate. Additionally, if the applicant wishes to make amendments to its HUD-approved program at this time, the procedures listed in paragraph 4-6 above should be followed and the additional information attached to the letter.

2. If the applicant wishes to maintain HUD approval of its Urban Homesteading Program, but anticipates that it may be inactive in the beginning of the fiscal year because there are few or no federally-owned properties suitable for homesteading that are available at the time of the annual request to participate, the situation should be described briefly in the letter. If a LUHA remains inactive for more than two years and local market conditions demonstrate that an insufficient number of affordable, federally-owned properties is likely to be available for the next Federal fiscal year, the Urban Homesteading Coordinator should implement the close-out procedures stated in Chapter 14.
- B. If the applicant submits an annual request for program participation, the Urban Homesteading Coordinator should review the request as follows:
1. Program amendments submitted with the annual request for program participation should be reviewed and acted upon as in paragraph 4-6 above.
 2. Annual performance reviews shall be conducted by the Urban Homesteading Coordinator in accordance with Chapter 12 of this handbook, and the applicant's compliance with monitoring findings and conditions on the Urban Homesteading Agreement shall be investigated. If the applicant has made satisfactory progress in meeting the conditions and resolving the findings, its continued participation in the program should be recommended for approval to the CPD Director. If management problems have yet to be resolved, but they do not seriously inhibit the successful operation of the program, and they are scheduled to be addressed during the upcoming program year, a conditional approval of continued participation should be recommended. If the program is plainly inconsistent with available facts and data, or the applicant's past performance does not meet the standards in 24 CFR 590.29(a) (see Chapter 12), and is not likely to be corrected in a reasonable period of time, the request for continued program participation should be disapproved and the applicant shall be advised in writing of the specific reasons for disapproval pursuant to 24 CFR 590.13(b). Action shall then be taken to close out the program in accordance with 24 CFR 590.23 and Chapter 14 of this Handbook.

3. The Section 810 funding request should be reviewed in coordination with the HUD Property Disposition staff and the VA and FmHA Property Management staffs to ascertain whether the applicant's estimate of the number of suitable federally-owned properties proposed to be available during the program year is realistic, and whether the estimates of average fair market values are correct. In general, a LUHA should be able to anticipate homesteading a minimum of five properties per year in order for its program to be cost effective and have a discernable neighborhood impact.
4. While the Regional and Field Offices are awaiting Headquarters approval for the new Fiscal Year funding, the Urban Homesteading Coordinator shall prepare the annual program participation approval package. The package shall include:
 - a. The recommendation of the CPD Director to the Field Office Manager that the LUHA be approved to participate in the Urban Homesteading Program for the new Fiscal Year;
 - b. An approval letter to the Chief Executive Officer of the applicant stating that the funding level for Section 810 funds has not been established at this time, but they will be notified in writing of funding availability at a later date, and the program number reflecting the new fiscal year for which the funds are provided (Appendix 26D);
 - c. If a program amendment designating a new administering agency is approved at this time, an amended Urban Homesteading Program Participation Agreement, HUD-40051, shall be prepared and processed as in paragraph 4-6 above.
5. The approval letter shall be completed and the relevant items processed in the same manner as in paragraph 4-4, D., E., F. and G. and the applicant notified of approval no later than October 1, the first day of the new Federal fiscal year. The FORMS/CPD Data Base Manager shall be informed of the LUHA's new Fiscal Year project number, and any other changes, as appropriate.
6. HUD's Notification to Congress -- HUD-40052. Since LUHAs will receive Section 810 funds only as individual properties are acquired on a first-come, first-served basis, HUD's notification to Congress will occur upon obligation of all funds for the LUHA for that Fiscal Year.

When all LUHAs within the Field Office have acquired all the properties that they will be able to acquire for the Fiscal Year or there are no longer funds available to acquire

additional properties, the Urban Homesteading Coordinator shall prepare a separate HUD Notification to Congress, HUD-40052, for each LUHA which will state the amount of Section 810 funds expended (see Appendix 5). The HUD-40052's shall be batched and sent to the Director, Urban Homesteading Program, Headquarters. A copy shall be sent to the Regional Director, CPD. Upon receipt of all HUD-40052's from all Field Offices, the Director, Urban Homesteading Program, will batch them and send them to the Assistant Secretary for Legislation and Congressional Relations (LCR). (No individual HUD-40052 is to be faxed directly to LCR.)

CHAPTER 5. NUMBERING SYSTEM FOR URBAN HOMESTEADING PROGRAMS

5-1. ADMINISTRATION AND CONTROL OF PROJECT NUMBERS

- A. The project number is assigned by the Field Office Urban Homesteading Coordinator in CPD when the application is approved. (See Appendix 8 for all Urban Homesteading project numbers through FY 1989.)
- B. The Urban Homesteading Coordinator is responsible for notifying the LUHA and the appropriate HUD, VA, and FmHA Offices of the number assigned to each LUHA within its jurisdiction. This includes notification that the Fiscal Year segment changes each year.
- C. All documentation related to the Urban Homesteading Program must reference the number assigned to the LUHA, in the formats presented in this chapter.

5-2. NUMBERING SYSTEM FOR ALL URBAN HOMESTEADING DOCUMENTS

- A. Program Accounting System. The automated OFA Program Accounting System (PAS) accommodates up to 14 characters for the Urban Homesteading numbering system. No spaces, hyphens, or slashes are permitted in the number. This format is used for all documentation with the exception of the Urban Homesteading Program Management Information System (UHPMIS) and FORMS/CPD noted in "B" below.

The numbering system has six segments.

- 1. Program Identification (1 character)
H-Urban Homesteading Program
- 2. Fiscal Year Identification (2 characters)

The last two digits of the current fiscal year. The fiscal year segment changes with each new fiscal year, while all other segments remain the same.

- 3. Identification of Program Type (2 characters)

UH-Regular Urban Homesteading Program
UL-Local Property Demonstration
UM-Multi-Family Demonstration

- 4. State Code (2 digits)

The Federal standard two digit numeric code for the State in which the LUHA is located. (Appendix 6, Instructions for

Updating the Quarterly Property Report and Quarterly Progress Report, HUD-40063-A, for the list of State codes.)

5. Urban Homesteading Sequential Number (4 digits). See paragraph 5-3 of this Chapter for further explanation.
6. Unit of Government (locality) abbreviation (3 characters)

The abbreviation will assist in identifying the LUHA. The Urban Homesteading Coordinator has discretion in assigning the abbreviation, but it must relate to the name of the State or unit of general local government.

EXAMPLE:

Chicago was the first locality with an approved regular Urban Homesteading Program in Illinois and was assigned the following number in FY 1989 which appears on all its program related documents.

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Prog./Fiscal/Prog./
Iden./year /type/State/Sequence/Alpha
  H   89   UH  17   0001  CHI
Actual PAS Number: H89UH170001CHI

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- B. UHPMIS, FORMS/CPD. The number segments for UHPMIS remain the same as for PAS, but the hyphens must be present. UHPMIS requires four hyphens and accommodates up to 18 characters for the Urban Homesteading project number system. See Appendix 8, Urban Homesteading Project Numbers.

EXAMPLE:

H-89-UH-17-0001CHI.

This 18 character format is used only with the UHPMIS and FORMS/CPD.

The project number is entered in FORMS/CPD also in accordance with the procedures in FORMS/CPD Data Base Handbook, 6525.1 Rev. 1.

5-3. URBAN HOMESTEADING SEQUENTIAL NUMBER

- A. A sequential number is assigned for each locality participating in the Urban Homesteading Program. Participating localities are assigned a sequential number by the Field Office in the order they are approved. Start with 0001 for the first assigned number, 0002 for the second, and so on.

- B. In Field Offices which cover more than one State, sequential numbers are still assigned in the order in which localities are approved regardless of which State they are located.

EXAMPLE:

H89UH310001OMA Omaha, Nebraska
 H89UH190002DEM Des Moines, Iowa
 H89UH190003SCY Sioux City, Iowa
 H89UH190004DVP Davenport, Iowa

- C. In States that have more than one HUD Field Office, the four-digit sequential number for participating localities will be derived from a range of numbers which begins at 0001 and ends at 0500 for one Field Office and begins at 0501 and ends at 0999 for the other Field Office.

EXAMPLE:

Region II

New York

Buffalo, NY	0001-0500
New York City, NY	0501-0999

Region III

Pennsylvania

Philadelphia, PA	0001-0500
Pittsburgh, PA	0501-0999

Maryland

Baltimore, MD	0001-0500
Washington, DC	0501-0999

Virginia

Richmond, VA	0001-0500
Washington, DC	0501-0999

Region VI

Texas

Ft. Worth, TX	0001-0500
San Antonio, TX	0501-0999

Region VII

Missouri

Kansas City, MO	0001-0500
St. Louis, MO	0501-0999

Region IX

California

San Francisco, CA	0001-0500
Los Angeles, CA	0501-0999

EXAMPLE:

Fort Worth was the third unit of government assigned a number by the Fort Worth Regional Office.
H89UH480003FTW

San Antonio was the first unit of government assigned a number by the San Antonio Office.
H89UH480501SAN

- D. Localities participating in more than one of the program types (Regular Program, Local Property Demonstration, or Multifamily Demonstration) will retain the same sequential number. Only the program type identification changes.

EXAMPLE:

H89UH170004ROC Rockford, Illinois (Regular Urban Homesteading Program)

H85UL170004ROC * Rockford, Illinois (Local Property Demonstration)

*The Fiscal Year does not change since no additional funding was provided. The use of FY 1985 funds assigned for the Demonstration was for a two-year period.

5-4. CLOSED OUT AND INACTIVE PROGRAMS

Once a program is approved, the project number is assigned to the LUHA permanently. The fiscal year assigned in the program number denotes status or activity of the program. Applicants that closed out or are in an inactive status and reenter at a later date shall retain the previous project number.

CHAPTER 6. PROVIDING FUNDS FOR HUD-APPROVED URBAN
HOMESTEADING PROGRAMS

6-1. FUND CONTROL

- A. Allotment, Assignment, and Subassignment Stages. Section 810 funds will be allotted to the Assistant Secretary for CPD at the beginning of each fiscal year by the Department Budget Office using a HUD-158, Advice of Allotment. This will include the new apportionment as well as funds not obligated during the previous fiscal year. The Assistant Secretary will assign funds using a HUD-185, Regional Fund and Contract Authority Assignment (Appendix 9), validated by OFA to each Regional Office. The Regional Office in turn will subassign funds using a HUD-185.1, Regional Fund and Contract Authority Subassignment (Appendix 10) validated by RAD to each Field Office. A flow chart, Urban Homesteading Program Fund Control Procedures, is shown in Appendix 12, and HUD-40074, Tracking Guide for HUD-718, is shown in Appendix 13.
- B. Property Reservation stage (HUD-718). Prior to acquisition of any properties by the LUHA, the Urban Homesteading Coordinator shall annually transmit a copy of the executed Urban Homesteading Program Participation Agreement and approval letter to the RAD for filing in the related program file.

The Field Office will reserve funds for LUHAs on a first-come, first-served basis except for the temporary 60-day allocation for LUHAs, referenced in paragraph 6-3 C. of this Handbook. The LUHA requests a property utilizing a HUD-40050, Verification of Fund Availability (Appendix 14). The Urban Homesteading Coordinator shall confirm the eligibility and prepare a HUD-718, Funds Reservation and Contract Authority (Appendix 11) for each property that the LUHA identifies for potential acquisition.

Use of the HUD-718 ensures that obligations and expenditures do not exceed the amount of Section 810 funds needed to acquire properties. The HUD-718 reserves an amount for a specific property for reimbursing the VA, FmHA, FHA, or the Section 312 Rehabilitation Loan Fund, as appropriate.

A single HUD-718 can be prepared for a bulk (group) package of properties, if the closings on all properties within the package will occur on the same day. Otherwise, a separate HUD-718 must be prepared for each individual property, even though the Federal Agency may have offered the properties at the same time and the LUHA may have accepted them on the same day.

The HUD-718 merely reserves funds for the future acquisition and obligation of funds for a specific property. The obligation of funds does not occur until the property closing or settlement is held and the closing documents (used as source documents for

reimbursement to the appropriate Federal Agency) are received by the RAD. (See item C. below.) The HUD-718 document will be prepared in an original and one copy for the CPD Director's signature and will show the current fiscal year project number in block 1B under which the reservation was made. The original HUD-718 and copy together with a copy of the HUD-40050 from the LUHA are transmitted to the RAD. The acquisition price plus good faith estimate of the closing costs of the property listed on the HUD-40050 are to be listed in block 5E of the HUD-718. The RAD will indicate in block 10 of the HUD-718 whether there are sufficient funds available for transferring the property. The RAD retains the copy for the project file and the original is returned to the Urban Homesteading Coordinator within five calendar days. The Urban Homesteading Coordinator shall notify the VA, FmHA, or Property Disposition (PD) in Housing, as appropriate, and the LUHA confirming that funds have been reserved so closing can proceed. This notification shall state the specific Section 810 amount, and the address of the property. A copy of the executed HUD-718 shall be enclosed. The RAD records the amount indicated on the HUD-718, block F, in the PAS.

Note: For internal accounting purposes only, the RAD will add an alpha-suffix to the LUHA project number to identify the source of property in PAS. The identifying characters are:

F=FHA
V=VA
H=FmHA
R=Section 312
M=Miscellaneous

C. Contract and Disbursement (Transfer of Funds) Stage

1. HUD-held properties

When a HUD-held property is transferred to the LUHA, the customary closing documents HUD-9589, Transmittal of Closing Information (Appendix 15), and HUD-1, Settlement Statement (Appendix 16) are prepared by the PD staff. The amount of Urban Homesteading funds to be transferred to the FHA Fund or the Section 312 Rehabilitation Loan Fund is indicated on the reverse side of the HUD-9589 block 5, line 4 (see Chapter 7, paragraph 7-5). A closing must not be held unless the amount of funds reserved as shown on the HUD-718 is equal to or greater than the amount to be transferred to the FHA fund or the Section 312 Rehabilitation Loan Fund. If the amount shown on the HUD-9589 is greater than the amount shown on the HUD-718, LUHA staff should notify the Urban Homesteading Coordinator immediately, and a revised HUD-718 will be prepared by the Urban Homesteading Coordinator and sent to the RAD for

validation. After closing it is the responsibility of the PD staff to route a copy of the closing documents, (HUD-1 and HUD-9589) to the Urban Homesteading Coordinator, who will attach a copy of the executed HUD-718 or revised HUD-718, if appropriate for the property, and immediately forward these forms to the RAD. Upon receipt of the closing documents, RAD will record the obligation of funds in PAS. RAD will transfer or disburse the funds to the FHA Fund (86X4070) or the Section 312 fund (86X4036) on the basis of the transfer document. Executed forms HUD-718, HUD-9589 and the HUD-1 will serve to support the RAD transfer document, SF-1081, Voucher and Schedule of Withdrawals and Credits.

2. Veterans Administration (VA) and Farmers Home Administration (FmHA)

When VA and FmHA properties are being transferred, the steps related to reservations for properties remain as explained in paragraph B. above. Again, a closing must not be held unless the amount of funds reserved on the HUD-718 is equal to or greater than the actual acquisition and closing costs shown on the VA/FmHA closing documents. If it is not, the LUHA should immediately request the Urban Homesteading Coordinator to obtain a RAD-validated HUD-718 for the correct amount prior to closing. The VA or FmHA shall forward its closing documents immediately to the Urban Homesteading Coordinator for review. The Urban Homesteading Coordinator will then prepare a Standard Form 1034, Public Voucher for Purchases and Services other than Personal (Appendix 17), a HUD-40075, Costs Chargeable to Section 810 for VA/FmHA Properties (Appendix 18), the closing documents, and an executed copy of the HUD-718 showing the amount of funds that were reserved by the RAD for the VA/FmHA property being transferred to the LUHA. The Urban Homesteading Coordinator may prepare a Standard Form 1034 to cover more than one set of closing papers, if all closings took place within the same month.

The RAD will process the payment to the VA or FmHA and record the obligation and disbursement in PAS.

- D. Cancellation of Unused Reservation of Funds (HUD-718). When a reservation for a specific property or a portion thereof is not used within the time period specified in 24 CFR 590.17(c) or 590.18(d), it shall be the responsibility of the Urban Homesteading Coordinator to review the reasons for the delay, and if closing will not occur in a reasonable time, to prepare a HUD-718 either decreasing a portion of a reservation to the amount used, or cancelling a whole reservation. Upon receipt of the HUD-718, RAD will record the decrease or cancellation.

E. LUHA Repayment to Section 810 Account. When it is necessary for a LUHA to reimburse the Section 810 account (see Chapter 10, paragraph 10-2, F., and Chapter 13, paragraph 13-2, B.3.), the LUHA shall:

1. (Regular Program -- RAD Account) -- send a letter to the Urban Homesteading Coordinator in the Field Office providing the Section 312/FHA/VA/FmHA case number, as appropriate, address of the property, acquisition date, amount charged to the Section 810 account for acquisition of the property, the amount of reimbursement to HUD, the circumstances under which the reimbursement is being made, and the LUHA's program number. A copy of the letter shall be sent to the RAD and to the Director, Urban Homesteading Program in Headquarters.

(Local Property Demonstration -- Headquarters Account) -- send a letter to the Director, Urban Homesteading Program in Headquarters, providing the local property case number and other requisite information as noted above. A copy of the letter shall be sent to the Urban Homesteading Coordinator in the Field Office.

2. (Remittances under \$1,000.00) -- send a check to the RAD made payable to the U. S. Department of Housing and Urban Development (see paragraph 1 above).
3. (Remittances of \$1,000.00 or more) -- wire funds to the Treasury for credit to the RAD's account or to the Headquarters' account (see paragraph 1 above) utilizing the Treasury Financial Communications System (TFCS). A list of HUD agency location codes which corresponds to the appropriate accounting office is contained in Appendix 19.
 - a. The LUHA must furnish the financial institution making the funds transfer with the following information:

Treasury Department Code: 021030004
(This item is constant.)

Amount: \$ _____ (Include appropriate punctuation, including dollar sign and cents, e.g., \$1,000.00.)

Treasury Department Name, Agency Location, Code, Agency Name: (These items are computer read and must appear in this precise manner.)

EXAMPLE: TREAS NYC/(86010301) HUD-PHIL PA

Third Party Information: (This item provides information needed by the accounting office to identify the LUHA's account to be credited.)

EXAMPLE: Urban Homestead-Regular Program/
Philadelphia, Pa.-Project H87UH420001PHL-
Reimburse Improper Use of Property-\$15,100.00 Acct.
86X0171/Excess Charge-\$8,000.00 Acct. 863220

EXAMPLE: Urban Homestead-Demo/Harrisburg, Pa.-
Project H85UL420013HAR LOC 8600H052 Excess
drawdown-\$10,000.00 Acct. 86X0171/Interest-
\$18.20 Acct. 861435

- NOTE:
- Funds returned to reimburse the Section 810 account are credited to Acct. 86X0171.
 - Funds returned in excess of the amount to reimburse the Section 810 account are credited to Acct. 863220 (general fund proprietary receipts - not otherwise classified).
 - Interest earned on funds on deposit in a financial institution are credited to Acct. 861435.

F. Individuals Authorized to Sign Documents Routed to Regional Accounting Division (RAD).

It will be the responsibility of each Field Office Manager to provide specimen signatures of the individuals who are authorized to sign documents that are routed to RAD for processing. When an individual is no longer authorized to sign documents, the RAD must be advised.

6-2. FUNDING ASSESSMENTS

- A. The funding needs and allocation process will begin at least 60 days prior to the end of the Federal fiscal year as follows:
1. The active LUHAs will make annual funding level requests in their annual requests for program participation no later than August 1 (see paragraph 4-7 A.).
 2. The Urban Homesteading Coordinator will evaluate the basis for requests from the LUHAs and adjust the funding levels reflecting PD, VA and FmHA data (see paragraph 4-7 B. 3.) to arrive at an overall summary of funding needs for the Field Office.

3. An assessment of funding needs for existing LIHAs (includes newly approved LUHAs that were not funded in the current fiscal year) and potential new applicants will be forwarded to the Regional Office by September 1. The Field Office will show by LUHA a breakdown of proposed funding needs and numbers of properties, and names, telephone numbers and addresses of LUHA contacts.
4. The Regional Office will forward a summary of its proposed suballocations (based on 3 above) for each Field Office under its jurisdiction. This summary will include the names, telephone numbers and addresses of the LUHA contacts. (This may simply be a copy of the Field Office memorandum.) This summary shall be submitted to the Director, Office of Urban Rehabilitation, no later than October 15.

6-3. FUNDING ALLOCATIONS.

- A. Headquarters. The Assistant Secretary for CPD will make fund assignments to the Regional Administrator based on prior year performance and inventory of eligible properties within the Regional Offices. Headquarters will generally hold back a percentage of funds, which will be earmarked for use by specific Regional Offices, providing they are able to expeditiously reserve all their previously assigned funds by a date determined by the Assistant Secretary for CPD.

The Regional Offices that are not able to reserve all their previously assigned funds by HUD-718 for specific properties by the specified date will lose their earmarked funds. These funds will be made available on a first-come, first-served basis to other Regions that are able to reserve their initial allocations and their initial percentage of the holdback.

Regional Offices that are not able to reserve all funds from the initial assignment by a date to be determined by the Assistant Secretary for CPD will be required to return the funds to Headquarters for reallocation to other Regions.

- B. Regional Offices. In determining subassignments of Section 810 funds to Field Offices, the Regional Director for CPD may consider:
 1. Subassigning funds to Field Offices for their active LUHAs based on their performance. Performance should be based on utilization of Section 810 funds assigned previously, monitoring reviews, program audits, production reports, and any other management information obtained during the program year.

2. Setting aside a reasonable holdback amount for those Field Offices that utilize their funds quickly.

C. Field Offices. Field Offices may designate a temporary, minimum initial allocation of Section 810 funds to be exclusively available for each LUHA each year. The period of this temporary allocation cannot exceed 60 days from the date the LUHA is notified of the allocation. During this temporary period, all reservations made by HUD-718 for specific properties will be charged to the temporary allocation. After the allocation has been used or the 60 days has expired, Field Offices will reserve Section 810 funds on a first-come, first-served basis for each LUHA from the balance of the Field Office subassignment. HUD-718s will be prepared based upon receipt of a HUD-40050 from each LUHA for specifically identified properties.

6-4. FOURTH QUARTER FUNDING ADJUSTMENTS

- A. At the beginning of the fourth quarter of the fiscal year, Urban Homesteading Coordinators shall evaluate their actual and projected fund use. If funds are needed for the remainder of the fiscal year, a request to the Regional Office by the Field Office shall be made stating the amount and reasons for the funds needed. If previously projected funds usage has not materialized in the Field Office, previously assigned funds which are not now expected to be used by the end of the fiscal year shall be withdrawn from the Field Office by the Regional Administrator using a HUD 185.1.
- B. The Regional Office shall attempt to accommodate Field Offices' requests by shifting funds among Field Offices (HUD-185.1). Generally when funds are shifted it is not for punitive reasons, but due to change in the housing market and the unavailability of affordable properties which have occurred since the request for funds for that fiscal year was submitted. If Field Office requests cannot be met, the Regional Office shall make a request to the Assistant Secretary for CPD only after all funds within the Region have been reserved for properties. If projected funds usage within the Region has not materialized, funds which are not projected to be obligated by the end of the fiscal year shall be returned to Headquarters by the Regional Office as early as possible (HUD-185), in order for the Assistant Secretary for CPD to assign returned funds to other Regions needing funds.

6-5. ANNUAL RECONCILIATION AND RETURN OF FUNDS TO HEADQUARTERS

- A. As of September 30 of each year, the RAD will assist the Field Office Urban Homesteading Coordinator and Regional Director for CPD in performing a reconciliation of all transactions for the year, and report the results to the Office of Finance and Accounting and the Director, Urban Homesteading Program, in Headquarters. On a

monthly basis, the disbursements made by the RAD and the reports on the automated OFA PAS shall be reconciled with the assistance of the Regional Director for CPD.

- B. All unobligated outstanding Section 810 funds as of September 30 shall be dereserved and returned to Headquarters for inclusion in the succeeding year's allotment and reassignment.
1. The RAD will cancel any reservations upon receipt of a decrease HUD-718, if the closing on a property has not taken place on or before September 30.
 2. The Regional Budget Officer will prepare a decrease HUD 185.1 for each Field Office's unused subassignment balance and forward it to the RAD who will process it to return the funds to Headquarters.
 3. The Headquarters Budget Office will prepare a HUD-185 to withdraw the unused balance from the Region.
- C. All property closings must be completed by September 30 and closing documents must reach the RAD by close of business of the third work day in October unless prior arrangements are made with the appropriate accounting office (See Handbook 1971.19, Fiscal Year End Closing Requirements). The HUD-718 is not an obligating document. The obligation of funds occurs upon settlement.

CHAPTER 7. CONVEYING HUD-OWNED ONE-TO FOUR-FAMILY PROPERTIES
FOR USE IN APPROVED URBAN HOMESTEADING PROGRAMS

7-1. LISTING OF HUD-OWNED PROPERTIES FOR POTENTIAL APPLICANTS

- A. To facilitate local planning and program development in accordance with the statute and program requirements of 24 CFR Part 590.9, a potential applicant may submit a written request to the appropriate HUD Field Office for a current listing of all one- to four-unit, HUD-owned, unoccupied properties within the applicant's jurisdiction not subject to executed repair or sale contracts or leases.
- B. After receiving the request, the Property Disposition Branch shall provide a current list of those HUD-owned properties for which repair or sales contracts or leases have not been executed. This list must be made accessible to the public during the applicant's or LUHA's ordinary business hours.

7-2. PROPERTY DISPOSITION PROCEDURES FOR CONVEYING HUD-OWNED PROPERTIES

The Field Office's Property Disposition Branch (PD) shall support approved urban homesteading programs as follows:

- A. Suspension of Property Disposition Activity. Upon execution of the initial Urban Homesteading Agreement by the Field Office Manager, but prior to the initial selection of any HUD-owned property for the first program year, a LUHA may request the Field Office to suspend its routine property disposition activity for up to 45 calendar days on properties identified by the LUHA as being located in the designated urban homesteading neighborhood(s). Based upon this request, PD shall state in writing the opening and closing dates for the suspension of property disposition activity for all such designated HUD-owned properties, except those for which repair or sales contracts, or leases have been executed. During this suspension period, the LUHA may notify the HUD Field Office of the specific HUD-owned properties, from among those previously identified, that it intends to use in its local urban homesteading program. Properties coming into the HUD inventory during or after the suspension period shall be handled as provided in paragraph B.
- B. Notification of Field Office's Acquisition of Single Family Property in the Urban Homesteading Neighborhoods. No later than 10 calendar days after receipt of Form HUD-27011, Single Family Application for Insurance Benefits, which is the mortgage insurance claims form from the mortgagee, for an unoccupied, one-to four-family residence in a HUD-approved urban homesteading neighborhood,

PD staff shall notify the LUHA of the potential availability of the property for homesteading. The notification shall be in writing and shall include the street address and zip code. PD shall provide a copy to the Urban Homesteading Coordinator.

1. The notification shall inform the LUHA that it has 21 calendar days from the date of the notice to notify the Field Office that it wishes to use the property for homesteading. A property disposition program for a property shall not be approved until the LUHA has notified PD in writing whether it intends to use the property in its homesteading program, or until 21 calendar days from the date of the notification whichever comes first. This 21-day deadline may be extended if PD determines that the locality's response within 21 calendar days is impracticable. However, continual inability of the LUHA to respond within the original 21-day period shall be investigated by the Urban Homesteading Coordinator who may decline making funds available pursuant to HUD authority under 590.29(a)(4).
 2. This notification procedure to the LUHA shall cease when PD is notified by the Urban Homesteading Coordinator that the program is to be closed out, or all Section 810 funds have been fully obligated for the year, unless a request for additional Section 810 funds is under consideration for the Field Office.
 3. No one- to four-unit property located within the designated neighborhoods which is unoccupied, unrepaired, or without a contract for sale or repair or a lease shall be withheld from this notification procedure by PD staff except as permitted by the following subparagraph C.
- C. Exceptions to offering eligible HUD-owned properties to approved urban homesteading programs. Field Offices may withhold the offer of a property to a LUHA when the Field Office Manager determines in writing that there is a higher priority need because of one of the following legal obligations:
1. the settlement of a sales warranty claim;
 2. the settlement of a claim under Section 518 of the National Housing Act for critical structural defects in a one- to four-family property whose mortgage was insured by HUD;
 3. emergency housing needs (disaster housing and urgent public housing needs such as providing shelter for the homeless);
 4. reconveyance of title of property to mortgagee for noncompliance with regulations for claim procedures (see 24 CFR 203.363);

5. reconveyance pursuant to a Civil Frauds Act settlement;
 6. reconveyance where the mortgage was never insured; and
 7. reconveyance for other legal obligations as determined by HUD, i.e., properties for which HUD is unable to obtain good marketable title; or for which an extremely long delay can be foreseen in obtaining good marketable title.
- D. Failure to transfer suitable properties. All properties requested by a LUHA and meeting the criteria of Paragraph 7-3, A., B. and C. shall be offered for transfer by the PD staff. If the PD staff believe that a property should not be transferred for other reasons not described in paragraph C. above, they shall contact the LUHA and the Urban Homesteading Coordinator to work out a suitable resolution to the problem. The Coordinator shall consult with the PD staff and, if necessary, Field Counsel with respect to resolving the matter.
- E. LUHA Actions to Acquire Property. At the same time the LUHA notifies PD that it wants to acquire a property, the LUHA will send a certification of property eligibility and acquisition costs to the Urban Homesteading Coordinator. This is the Verification of Fund Availability, HUD-40050, shown in Appendix 14. The Urban Homesteading Coordinator confirms the eligibility of the property and prepares a Form HUD-718, Funds Reservation and Contract Authority, for validation by the RAD. PD staff and the LUHA will hold the closing upon written notification by the CPD Urban Homesteading Coordinator that funds have been reserved. (See Chapter 6, paragraph 6-1, B. and C.)
- F. Flood Insurance Purchase Review by Property Disposition. The Flood Disaster Protection Act requires that flood insurance be obtained for eligible properties. (See paragraph 3-4 of this Handbook.) The PD Staff shall address the following:
1. Do the current maps of the National Flood Insurance Program (NFIP) reveal that the proposed urban homesteading area is located within the Flood Hazard Zone "A" and "V" series and for which purchase of flood insurance is mandatory as a condition of approval? If so, flood insurance will be required for building located within the special flood hazard area.
 2. Is flood insurance available within the community or has the community been suspended from or is not otherwise participating in the NFIP? If the NFIP has identified the community as flood-prone for at least one year, and the community is not participating in the NFIP, homesteading cannot take place in those areas of the community that are designated as having special flood hazards. A list entitled "Communities

Participating in the National Flood Insurance Program" is forwarded to HUD Field Offices periodically by FEMA with the necessary information on community participation.

- G. Time Limitation of 30 calendar days for Accepting Title of Property. The LUHA has 30 calendar days to hold settlement from the date of its notice to PD that it will accept title to a property. (An alternative disposition plan may be approved for the property if the LUHA fails to accept title within such deadline.) The Field Office Manager may extend this 30-day period for a reasonable period of time if acceptance by the LUHA within the original 30-day period is impracticable. The environmental review required for a specific property will be completed by PD staff, and by CPD staff under paragraph 4-3, C.3, if applicable, as soon as possible, so as to allow the LUHA to acquire the property within the original 30-day period. This may be extended if the Field Office Manager finds that more time is required to comply with historic preservation or floodplain management requirements applicable to the property. Failure by the LUHA to act in a timely manner, except for environmental concerns, shall be investigated by the Urban Homesteading Coordinator and a reservation may be cancelled if the closing does not occur within the allotted time.

7-3. ELIGIBILITY CRITERIA FOR CONVEYING HUD-OWNED PROPERTY TO APPROVED URBAN HOMESTEADING PROGRAMS

- A. The Criteria. Within the time period described in 24 CFR 590.17, the PD staff shall transfer the title to eligible HUD-owned properties to a LUHA, without receiving payment from the agency, if the following criteria are met:
1. the initial application (including execution of an Urban Homesteading Program Participation Agreement), or subsequent annual request for program participation, has been approved by HUD;
 2. the properties are in a HUD-approved urban homesteading neighborhood;
 3. the Urban Homesteading Coordinator has reserved by a Form HUD-718 the necessary Section 810 funds to reimburse the FHA Mortgage Insurance Fund or the Section 312 Rehabilitation Loan Fund for the as-is fair market value of the property, or a negotiated lesser amount, plus closing costs;
 4. the requested property is unoccupied, needs repair and is not subject to a repair or sales contract or a lease; and

5. the requested property is suitable for the approved urban homesteading program. A property is suitable if the appraised as-is fair market value of the property or a negotiated lesser amount does not exceed \$25,000 (excluding closing costs), except as noted in B. below, for a one-unit single-family residence or an additional \$8,000 for each unit of two- to four-family residences. The as-is property value shall be developed in accordance with the requirements of HUD Handbook 4310.5 REV-1. PD provides a 10% discount off the as-is fair market value for all properties offered to LUHAs.
- B. Authorization to Acquire Higher-Value Properties with Section 810 Funds. The Field Office Manager may authorize on a property-by-property basis the transfer of a HUD-owned property where the value exceeds the limitations stated in paragraph 7-3, A. 5 for a one-unit property; but the approved higher value shall not ordinarily exceed \$35,000. This authorization request is prepared by the Urban Homesteading Coordinator. (Headquarters shall approve all requests above \$35,000.) For two- to four-unit properties, the cost remains at \$8,000 for each additional unit. This authorization of a higher value should be granted only if such a transfer will assist in meeting the neighborhood preservation goals, where it will benefit the community by the expedited occupancy of the property and the reduction of difficulties (such as vandalism to the property) and delays that HUD typically encounters in the disposition and sale of property, and where suitable properties for large families exist. Authorization to exceed the \$25,000 value will mean that more funds will be used on fewer properties, and therefore the decision to grant such an authorization should also take into consideration the effect of reduced assets toward achievement of the LUHA's neighborhood preservation goals. The decision to grant a higher authorization should be a rare instance and not a matter of routine. Typically, there should be few, if any, higher valued properties unless the LUHA is willing to provide the supplemental funds. If this is not the case and exceptions to use Section 810 funds for higher value properties are the rule, then the Field Office should consider the LUHA for close out. There will be no program-wide authorization for higher value properties.
- C. Use of Additional Local Resources. If a LUHA wishes to conserve its Section 810 resources, or if the Field Office should decide not to authorize an increase of the Section 810 limit above \$25,000, or some other fixed amount, properties of higher price may be purchased by the LUHA with a combination of Section 810 and other resources such as CDBG funds (See paragraph 7-5 for the cost breakout). This can be done by:

1. the Urban Homesteading Coordinator performing all Section 810 fund control procedures listed in Chapter 6, paragraph 6-1;
2. the LUHA paying the Department of Housing and Urban Development at closing the amount of the difference between what the Field Office has set as a Section 810 cost limit plus closing costs and the agreed upon price for the property; and
3. the Urban Homesteading Coordinator forwarding the LUHA's check with the appropriate closing documents to the RAD so that the FHA Mortgage Insurance Fund or the Section 312 Rehabilitation Loan Fund can be reimbursed. Such use of additional funds does not affect the Section 810 requirement for transfer of the property to the homesteader for nominal consideration only.

7-4. THE VALUE OF HUD-OWNED PROPERTY TO BE DEDUCTED FROM SECTION 810 FUNDS RESERVATIONS

The amount charged to the Section 810 reservation for an approved LUHA shall not exceed the as-is value of an eligible HUD-held property (See paragraph 7-3, A. 5. and B). In addition, the Section 810 account may be charged for such allowable closing costs and fees customarily charged in similar transactions in the locality if normally charged to the buyer by HUD including, but not limited to, recording fees and local transfer taxes. The actual amount to be charged to the Section 810 account appears in the computation noted in paragraph 7-5. Since HUD will provide evidence of marketable title upon transfer of properties to LUHAs, local purchase of title policies will not ordinarily be necessary. However, if a title policy is desired by the LUHA, for the period prior to conditional conveyance, the LUHA must cover the expense itself. For the period after conditional conveyance to the homesteader, the LUHA may include title insurance as a covered expense in the homesteader's rehabilitation loan. HUD's share of prorated unpaid property taxes and other property liens (e.g., utility bills) are paid out of the appropriate insurance or loan fund and not out of the Section 810 account. Prepaid taxes are to be handled as described in paragraph 7-5. The LUHA's share of these prorated items is borne by the LUHA, not the Section 810 account or the homesteader.

7-5. PREPARATION OF CLOSING PAPERS

In addition to the standard closing procedures performed in accordance with HUD Handbook 4310.5 REV-1, the following are additional instructions for preparing closing documents and transmitting them to the RAD:

- A. Sales Contract. The standard retail sales contract, HUD-9548, must be used. The contract sales price must be the property's "as-is" fair market value, or a negotiated lesser amount.

B. Form HUD-9589. The Form HUD-9589, Transmittal of Closing Information (Appendix 15), is prepared by the PD staff or the closing agent who will check "Urban Homestead Sale" in Block 5. Additional information for Block 5 is reflected on the reverse side of the form. This information consists of a formula for arriving at the amount to be charged to the Section 810 account:

1. Contract sales price of property.
2. Plus closing costs.
3. Minus amount paid in cash by LUHA (non-Section 810 funds).
4. Amount charged to Section 810. (This is the amount the RAD will reimburse the FHA insurance fund or the Section 312 loan fund.)

Please note the amount the LUHA has paid to reimburse HUD for any prepaid taxes is located in Block 5 of the HUD-9589.

C. Form HUD-1. The HUD-1, Settlement Statement (Appendix 16), shall be filled out so as to completely describe the sales closing. The as-is, fair market value or negotiated lesser amount shall be the contract price for the sale and will appear on Line 101 and 401. The amount reimbursed to the FHA fund or the Section 312 Rehabilitation Loan Fund from a LUHA's Section 810 allocation must appear on Line 509 of the HUD-1 as "Section 810 reimbursement, P.O.C." (P.O.C. stands for paid outside of closing, since the reimbursement occurs after closing.) The Section 810 reimbursement consists of the sales price of the property, or a portion thereof, plus closing costs normally paid by the buyer of HUD-owned property. The amount exceeding the Section 810 limit (see paragraph 7-3 C.) will appear on Lines 208 and 508. Do not include reimbursement for prepaid taxes in this amount.

Immediately after settlement, the PD staff shall provide copies of the HUD-9589 and HUD-1 to the Urban Homesteading Coordinator for transmission to the RAD. After receiving the HUD-1 and HUD-9589, if the Urban Homesteading Coordinator should determine that some costs are not allowable, the Urban Homesteading Coordinator shall make adjustments on the HUD-9589 prior to transmitting the package to the RAD, and return copies of the amended HUD-9589 and the revised HUD-718 to PD.

D. Deed. The deed shall be prepared in triplicate by PD or PD's Contract Closing Agent. The original shall be forwarded to the LUHA after recordation by PD or a PD Contract Closing Agent. A copy shall be retained in the property case binder.

- E. Title Evidence. PD shall furnish the appropriate title evidence in its possession at the time of closing to the LUHA. The LUHA may purchase a title policy locally at its own expense if it is required at closing and title evidence satisfactory to the local jurisdiction is not available from HUD. This is not a reimbursable expense from Section 810.
- F. Real Estate Taxes. Real estate taxes shall be processed as follows:
1. Taxes Unpaid by HUD. Where PD has not yet paid the taxes, and the closing statement would ordinarily reflect a credit to the LUHA for HUD's share of the taxes, the Form HUD-1 shall reflect HUD's prorated share of taxes to the date of closing. An SF-1034 shall be prepared by PD showing the LUHA as the payee and setting forth the amount of HUD's prorated share of the taxes due to the LUHA. A copy of the voucher shall be attached to the HUD-9589 and HUD-1 submitted to the Urban Homesteading Coordinator, and the original voucher shall be forwarded for processing and payment to Single Family Accounting and Management System Contractor, Data Prompt Incorporated, P.O. Box 3579, Silver Spring, MD 20918-0579.
 2. Taxes Prepaid by HUD. When HUD has prepaid the real estate taxes and would be due a refund at closing, PD shall request a refund from the LUHA, which shall be reflected on the HUD-9589. PROPERTIES ARE NOT TO BE CONVEYED UNTIL PREPAID TAXES ARE REFUNDED. When the prepaid taxes are received, PD shall deposit them in accordance with the Fiscal and ADP Handbook, 4110.1 REV, and then notify the RAD on the Schedule of Collection, Form HUD-2022. The notification shall include the case number and address of the property on which prepaid taxes were received along with the following typewritten notation: "Taxes Due HUD on Urban Homesteading Transfer."
- G. Transmission and Distribution of Closing Documents. PD shall comply with Handbook 4310.5, REV-1 regarding the prompt transmission of closing papers. The HUD-9589 must include the correct fiscal year Urban Homesteading number assigned to the locality in which the property being sold is located (See Chapter 5). The PD staff shall transmit closing statements and appropriate vouchers or receipts as necessary, to the Urban Homesteading Coordinator immediately after closing. The Urban Homesteading Coordinator shall then attach a copy of the executed Form HUD-713, and immediately transmit it to the RAD for processing. For closings held near the end of the fiscal year or on September 30, all documents must be received by the RAD no later than the third work day in October or on such date as agreed upon between the Urban Homesteading Coordinator and the RAD.

CHAPTER 8. CONVEYING VA-OWNED AND FmHA-OWNED ONE- TO FOUR-FAMILY PROPERTIES FOR USE IN APPROVED URBAN HOMESTEADING PROGRAMS

8-1. LISTING OF VA-OWNED AND FmHA-OWNED PROPERTIES FOR POTENTIAL LUHAS

The Urban Homesteading Coordinator shall contact the local FmHA and/or VA office whenever a potential applicant is considering administering an Urban Homesteading Program in an area which may have VA and/or FmHA properties. To facilitate local planning and program development in accordance with the Statute and program requirements under 24 CFR Part 590.9, the VA and/or FmHA shall follow generally the same procedures as HUD in furnishing lists of available one- to four-unit properties within the potential applicant's jurisdiction. (See Chapter 7, paragraph 7-1, A. and B.)

8-2. LISTING OF VA-OWNED AND FmHA-OWNED PROPERTIES AFTER LUHA APPROVAL

- A. Upon request of any approved LUHA, the responsible VA and/or FmHA Field Office will make available in writing a list of available single-family properties owned by VA/FmHA within the participating locality.
- B. After the initial lists have been furnished, VA/FmHA will continue to give notice to LUHAS of anticipated new acquisitions.
- C. If the VA and/or FmHA Field Office is not providing notification of available properties to LUHAS as required, the LUHA will notify the responsible Loan Guaranty Officer in VA or the State Office of the FmHA for assistance. If this request for assistance fails to bring about the desired results, the LUHA shall notify the HUD Urban Homesteading Coordinator.

8-3. PROCEDURES FOR CONVEYING VA-OWNED AND FmHA-OWNED PROPERTIES

A. Procedures Specific to VA-Owned Properties.

The VA will support HUD-approved Local Urban Homesteading Programs as follows:

1. The VA Field Office may provide a LUHA with a right of first option on the properties listed pursuant to paragraph 8-2 A. and B. above and the date by which such option must be exercised (ordinarily, within 30 calendar days of the date the listing is provided). Such option will be deemed to have been exercised if the VA receives by the specified date, written notice under paragraph 8-3, A. 2. of the LUHA's good faith interest in the property. After the option date has passed, the LUHA will be treated as a private purchaser by VA, and the VA will consider offers to purchase from the LUHA along with

any other offers received, awarding the property to the party that VA considers, in its sole discretion, has made the best offer.

2. The LUHA will notify the VA in writing of any property that it has a good faith interest in purchasing. The VA will then notify the LUHA in writing of the maximum price for the property, together with a good faith estimate of closing costs. Any cash discounts which may be offered by the VA with respect to a particular property are generally available for any Section 810 properties.
3. Upon receipt of notice of VA's agreement to transfer the property to the LUHA, the LUHA will notify the VA in writing within three working days if it wishes to go forward with the purchase at the specified price.
4. In those areas in which VA issues listings to sales brokers by mail, the LUHA should request to be placed on the appropriate mailing list. This will ensure that the LUHA will receive timely notice of any price reductions which would make eligible for purchase any properties that were formerly ineligible because of the price. The LUHA may ask the local VA regional office to provide details concerning any pricing concessions which may be available as part of its sales program.

B. Procedures Specific to FmHA-Owned Properties.

1. In response to the LUHA's initial request for property listings, the FmHA will include a certification of the amount that would be charged against Section 810 funds for each property in accordance with paragraph 8-5. Where reimbursement will be based on FmHA's claim, the certification will include the estimated closing date it has assumed in calculating the amount of its claim.
2. If the LUHA wishes to acquire a property for the amount certified by FmHA, it must give written notice to FmHA of its intent to acquire the property with Section 810 funds. Upon receipt of such notice from a LUHA, FmHA will not seek or accept other offers for the property for 30 calendar days.
3. Standard for Rehabilitation of FmHA Properties. The deed conveying a FmHA property to the LUHA will contain a covenant requiring that the property be rehabilitated to comply with FmHA requirements for decent, safe and sanitary housing and thermal performance (see 7 CFR Part 1955, Section 117(c)(1) and 7 CFR Part 1924 Subpart A, Exhibit D) prior to its residential occupancy. The LUHA shall ensure that the homesteader complies with this covenant prior to residing in the property. A

"decent, safe, and sanitary" housing unit is a structure which meets the requirements of HUD-MPS for existing construction, or if not meeting the requirements of HUD-MPS:

- (a) is structurally sound and habitable,
- (b) has a potable water supply,
- (c) has a functionally adequate, safe, and operable heating, plumbing, electrical and sewage disposal system, and
- (d) meets the FmHA Thermal Performance Standards.

C. Property Management Procedures for VA and FmHA Properties.

1. Concurrently with a LUHA's written notice to VA (see paragraph 8-3, A. 3. above) or FmHA (see paragraph 8-3, B.2. above), the LUHA will send to the HUD Urban Homesteading Coordinator a Verification of Fund Availability, HUD-40050, certifying to the property's eligibility and amount of estimated costs, including closing costs needed to acquire the property. Also, this form requests the Urban Homesteading Coordinator to verify to VA or FmHA and the LUHA that sufficient funds are available to reimburse VA or FmHA for the property. Upon receipt of the HUD-40050, the Urban Homesteading Coordinator will prepare a HUD-718, Funds Reservation and Contract Authority, to be sent to the RAD to reserve funds for the property as required in Chapter 6, paragraph 6-1, B.
2. Within 15 calendar days after the LUHA's notice to VA (see paragraph 8-3, A. 3.) or 30 calendar days after the LUHA's notice to FmHA (see paragraph 8-3, B.2.), the Urban Homesteading Coordinator will confirm the eligibility of the property for transfer as in paragraph 8-4 below and will certify in writing, enclosing a copy of the RAD-executed HUD-718, to the VA or FmHA and the LUHA that sufficient funds will be available to reimburse VA or FmHA for the property. This notifies VA or FmHA and the LUHA that they can proceed to close on the property. (No closing should take place without the notification.) Any environmental review required for a property will be completed by the VA or FmHA as soon as possible so as to allow the LUHA to acquire the property within the original 30-day period noted in paragraph 4 below.
3. Unless the above actions are completed within the specified working days of the LUHA's notice to VA or FmHA of its desire to go forward with the purchase, the VA or FmHA will proceed to seek other purchasers for the property.

4. Within 30 calendar days after receipt of the HUD-718, VA or FmHA will convey the property to the LUHA. If so requested by the LUHA this 30-day period may be extended at VA's or FmHA's discretion for a reasonable period of time. After conveyance, the VA or FmHA will send the closing documents to the HUD Field Office, attention Urban Homesteading Coordinator.
5. The Urban Homesteading Coordinator will review the VA/FmHA closing documents, prepare an SF-1034, and the Guideform for Costs Chargeable to Section 810 for VA/FmHA Properties, and package them with a copy of the executed Form HUD-718 for transmittal to RAD. All VA or FmHA closing documents shall have the proper Urban Homesteading number written at the top of the first page (See Chapter 5).

8-4. ELIGIBILITY CRITERIA FOR CONVEYING VA-OWNED AND FmHA-OWNED PROPERTY TO APPROVED URBAN HOMESTEADING PROGRAMS

- A. The criteria. The eligibility criteria that apply to HUD-owned properties shall apply to VA and FmHA properties. Upon the receipt of a HUD-40050, Verification of Fund Availability, from the LUHA, the Urban Homesteading Coordinator shall check the eligibility of the property as noted in Chapter 7, paragraph 7-3, A.
- B. Transfer of Higher Value Properties. If the value of the property exceeds the limitations stated in Chapter 7, paragraph 7-3, A. 5., the Field Office Manager may authorize on a property-by-property basis transfer of a higher value property from VA or FmHA to the LUHA for the reasons noted in Chapter 7, paragraph 7-3, B.
- C. If the LUHA believes the value of the property stated by VA or FmHA is unrealistically high, the LUHA may obtain an independent appraisal and submit it to the VA/FmHA. The LUHA may then request the appropriate VA or FmHA Field Office to reconsider its value. The LUHA will bear the cost of any appraisal.
- D. Provision of Local Resources. If prices of properties exceed the Section 810 regulatory limit of \$25,000 and authorization for a higher level is not granted by the Field Office as noted in B. above and Chapter 7, paragraph 7-3, B., the LUHA may proceed to purchase properties with a combination of funds--Section 810 and other local resources (i.e. CDBG). This can be done by:
 1. The CPD Urban Homesteading Coordinator performing all fund control procedures listed in Chapter 6, paragraph 6-1;
 2. The LUHA making a check payable to VA or FmHA, in the amount of the difference between what the Field Office has set as a Section 810 limit plus closing costs, and the agreed upon price for the property. This check will be given to VA or FmHA when the closing occurs; and

3. The Urban Homesteading Coordinator forwarding the Standard Form 1034, the VA or FmHA closing documents, and the executed HUD-718 to the RAD so that the VA or FmHA may be reimbursed from Section 810 funds for the balance of the price.

8-5. AMOUNT OF REIMBURSEMENT FOR VA-OWNED AND FmHA-OWNED PROPERTIES

- A. The maximum charge against the Section 810 funds for any one property will be the as-is fair market value of the property or the amount of VA's or FmHA's claim, whichever is the lesser. The VA's claim means the sum of the payment to the holder under guaranty, the cost of acquiring the property, and VA's expenses connected with ownership and sale of the property. FmHA's claim means FmHA's gross investment in the property (unpaid mortgage indebtedness and cash acquisition costs) and FmHA's expenses connected with ownership and sale of the property.

In addition, VA/FmHA will be reimbursed for such closing costs and fees customarily charged in similar transactions in the locality if normally charged to the buyer by VA/FmHA, including, but not limited to:

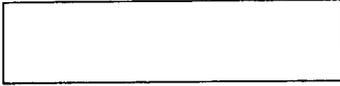
1. cost of recording the deed, in the form normally used by VA or FmHA in the jurisdiction;
2. cost of acceptable title evidence;
3. closing fee; and
4. local transfer taxes. (Property taxes for FmHA only if based on the claim -- see B. below.)

VA shall designate on the first page of its closing documents whether the amount charged the Section 810 account is the fair market value of the property or the amount of claim.

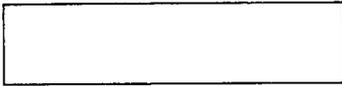
- B. HUD will not reimburse VA and/or FmHA or the LUHA for local property taxes (except as may be included by FmHA in its expenses of ownership, if reimbursement is based upon the Agency's claim). Property taxes will be prorated to the date of closing between VA or FmHA and the LUHA. The VA or FmHA will not transfer properties if the Agency is not reimbursed by the LUHA at closing for any prepaid property taxes. The LUHA bears the costs of any property taxes for the period after closing without Section 810 reimbursement.

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- C. The Urban Homesteading Coordinator is responsible for:
1. being familiar with the various costs associated with the acquisition of VA and FmHA properties, and assuring that such costs are eligible;
 2. knowing whether VA or FmHA is charging the Section 810 account for the amount of the claim or the as-is fair market value, whichever is the lesser, for the property; and
 3. providing a cost breakdown as a part of the closing statement package to be transmitted to the RAD. (See paragraph 8-5, A. for eligible costs.) This cost breakdown should distinguish between the VA or FmHA claim and the as-is fair market value to be charged to the Section 810 account. (See Appendix 18 for HUD-40075, Costs Chargeable to Section 810 for VA/FmHA Properties.)
 - a. If the fair market value is charged, the computation should include:
 - (1) as-is fair market value;
 - (2) plus breakout of closing costs;
 - (3) minus tax credit adjustment (See paragraph 8-5, B);
 - (4) minus amount paid by LUHA (non-Section 810 in addition to the Section 810 funds); and
 - (5) total to be charged to Section 810.
 - b. If the claim is charged, the computation should include:
 - (1) amount of the claim;
 - (2) plus local property taxes (for FmHA only);*
 - (3) plus breakout of closing costs;
 - (4) minus tax credit adjustment (See paragraph 8-5 B.);
 - (5) minus amount paid by LUHA (non-Section 810 in addition to the Section 810 funds); and
 - (6) total to be charged to Section 810.

*VA is not reimbursed for property taxes under its claim.



Note: The VA or FmHA may give a credit for taxes at closing in place of the Agency paying its prorated share. Where this happens, the Urban Homesteading Coordinator must make the adjustment also. (See paragraph 8-5 C.3.a.(3) and b(4) above.)



CHAPTER 9. Reserved.

CHAPTER 10. ALTERNATIVE USES OF FEDERALLY-CONVEYED URBAN HOMESTEADING
PROPERTY

10-1. AUTHORIZATION TO APPROVE ALTERNATIVE USE PROPOSALS

- A. Rationale. Alternative uses for homesteading properties shall be allowed only as a last resort, where homesteading the property has become infeasible. In appropriate cases, the Field Office may approve proposals for alternative property usage as described below. Before an alternative use is approved, however, a LUHA must demonstrate to the Field Office that it has made a good faith effort to homestead the property (i.e., repeated attempts to find a homesteader have failed), or the property must be in such poor condition (usually sufficient to justify local condemnation on grounds of imminent danger to health or safety) that homesteading obviously would be impossible. Alternative use requests should be infrequent, since each LUHA is responsible for inspecting each property prior to acquisition to determine the feasibility of rehabilitation and the marketability of each property. LUHAs are also responsible for conveying each property to a homesteader within one year of receiving title, pursuant to 24 CFR 590.7(b)(3).

Repeated requests to be relieved of the homesteading obligation would indicate that deficiencies exist in the LUHA's procedures for property selection, inspection, and homesteader selection or rehabilitation financing methods, and appropriate corrective actions should be taken pursuant to 24 CFR 590.21 or 590.29-31.

- B. Authorization. The Field Office Manager is authorized to approve alternative use proposals for federally conveyed properties only when he/she determines that homesteading the property is infeasible and the alternative use is consistent with the coordinated approach toward neighborhood improvements for the homesteading neighborhood.

10-2. ALTERNATIVE PROPERTY USES

After ensuring that homesteading the property is infeasible, the most important consideration in approving an alternative use is to determine if the proposed use is consistent with the plan to achieve a coordinated approach toward neighborhood improvement for the homesteading neighborhood developed pursuant to 24 CFR 590.7(a). The following guidelines should be followed by the Urban Homesteading Coordinator in making decisions related to alternative property uses.

- A. Alternative Use of Structure. Examples of alternative structure use which would normally further neighborhood improvement include a community center, a day care center, a recreation center, a temporary shelter for the homeless or other similar types of uses.

The locality should also show that funds are available to rehabilitate and convert the property to such use. If alternative uses of these types cannot be instituted, the options listed below may be considered. When considering requests for a alternative use involving rehabilitation and conversion, coordinators should request information explaining why a structure sound enough to warrant rehabilitation for alternative use is unsuitable for homesteading, e.g., a location not suitable for residential use.

- B. Demolition of the Structure. Demolition of an existing structure, by the LUHA or the transferee, can only be approved when an approvable alternative use for the land is submitted with the demolition proposal. (See paragraph 10-3 B.3.) Examples of alternative uses for the land include, but are not limited to, a park, a playground, a site for a community swimming pool, new construction of low-income housing, or sale to the adjacent homeowners. A condition of approval for demolition must require the locality or transferee to level the land, if the site cannot be prepared for the alternative use immediately. This precludes the existence of an unsightly or hazardous vacant lot in the interim period. However, land banking without definite plans for appropriate community or economic development in the immediate future is not an acceptable alternative use. The responsibility for financing property demolition and/or any alternative use rests with the LUHA and its transferee, if any. Section 810 funds cannot be used for funding these activities.
- C. Sale of the Property by the Locality. If the LUHA wishes to sell the property which cannot be homesteaded, or a vacant lot resulting from demolition of a house, and a determination is made that the sale would result in the furtherance of the locality's coordinated approach to neighborhood improvement, then sale of the property might be an approvable option. However, sale or transfer for the purpose of rehabilitation and residential reuse is not an approvable option. Such a sale indicates that homesteading the property would be feasible.

Where sale is an approvable option, the property should be sold at a price which reflects the current fair market value at the time of sale. A sale price below the fair market value should be considered only if the sale is made to another public agency or a nonprofit organization with an established, operating program which would use the property to the benefit of the neighborhood, i.e., a temporary shelter for the homeless, day care center, a community or neighborhood center, etc. Such a sale should only be allowed where it is clearly in the best interest of all parties involved in or affected by the transaction.

The transfer or sale of a federally conveyed property in no way affects the 810 fund allocation except where the LUHA has

intentionally or negligently converted, rented or sold a property without HUD approval (See 24 CFR 590.31(e)).

1. Use of and Accounting for Proceeds (Program Income). Proceeds received from a sale must be used by the LUHA in its homesteading program for rehabilitation financing for former federally-owned or locally-owned homesteading properties, to acquire more properties for homesteading, or neighborhood improvements or similar public facilities or services directly benefitting a homestead property. Proceeds received from the sale of a property homesteaded previously, in which the rehabilitation was financed by a Section 312 loan, must be refunded to HUD and applied to the Section 312 debt before being applied to other activities noted previously. Proceeds may not be used to offset administrative costs. The LUHA is required to account for the receipt and expenditure of this program income (not only the initial use, but also reuses of these funds) as long as the LUHA continues to have an approved homesteading program. Only when a LUHA is closed out will it be relieved of its obligation with respect to the accounting for and use of program income.
- D. Reconveyance of Property to HUD, VA or FmHA. HUD is not normally authorized to accept the reconveyance of urban homesteading properties. An exception may be made for HUD properties when it can be clearly demonstrated that the LUHA made its selection based upon erroneous information provided to it by HUD. This is generally limited to the existence of unknown, severe structural damage to a property prior to conveyance. Detection and reconveyance would be expected to take place within 90 days of the transfer date of the property from HUD to the locality.

This exception does not apply for VA and FmHA properties which may not be reconveyed.
- E. Control and Monitoring. When an alternative use is approved which involves continued public ownership, appropriate controls must be imposed by the LUHA to ensure that the alternative use will be for the approved purpose. The Urban Homesteading Coordinator should review the controls and monitor the program to confirm proper implementation. When the alternative use includes sale of the property, appropriate covenants should be placed on the deed to assure implementation of the approved use for a reasonable period of time, e.g., 5 years.
- F. Unauthorized Alternative Use of a Property. If a LUHA takes an action not authorized according to these procedures, repayment to HUD shall be made for either the amount of compensation the LUHA received if a sale or rental occurred, or the amount of Section 810

funds spent for the property, as appropriate, pursuant to 24 CFR 590.31(e). If there is an existing Section 312 debt, disposition will be handled on a case by case basis by Headquarters.

An action that would warrant repayment would be defined as one that is within the LUHA's control. For example, if a homesteading property deteriorates because of a LUHA's inability to find a homesteader due to poor property selection initially or by neglect from the LUHA, then that is within the LUHA's control. If an adequately secured and insured homestead property should be damaged by fire to the extent that condemnation is required, then that is beyond the LUHA's control and repayment would not be required. Proceeds from insurance benefits shall be handled as program income (See paragraph 10-2.C.1).

When repayment is required, the Urban Homesteading Coordinator shall prepare a letter for the Field Office Manager's signature, or designee, requesting repayment and citing circumstances under which the request is made. A copy of the letter requesting repayment must be sent to the RAD for recording a receivable. Repayments shall be made in accordance with Chapter 6, paragraph 6-1, E.

10-3. REQUESTING AND APPROVING ALTERNATIVE USES

- A. LUHAs are to submit the following information to request an alternate property use:
1. the address of the affected property;
 2. an explanation of what steps the LUHA has taken toward homesteading the property;
 3. an explanation of what steps the LUHA has taken to protect and insure the property after receiving ownership of it;
 4. an explanation of why the LUHA considers homesteading infeasible with respect to the property;
 5. a statement of the proposed alternative use and how it is consistent with the coordinated approach toward neighborhood improvement for the urban homesteading area;
 6. the estimated fair market value of the property in its present condition and the estimated net proceeds to be received from the disposition of the property, if any; and
 7. a statement that the LUHA is authorized under State and local law to undertake the proposed alternative use.

- B. In reviewing a LUHA's request for alternative use, the Urban Homesteading Coordinator must be sure that:
1. the LUHA has attempted to homestead the property. This requires demonstrating to HUD that the property is not marketable for homesteading. At a minimum the LUHA must have entered the property in two selection rounds to match homesteaders to the property and been turned down by several potential applicants. In this instance, the LUHA must demonstrate that it has attempted to reach non-priority applicants in addition to the priority applicants before requesting an alternative use for the property. If there is a breach of an existing Homesteader Agreement, the LUHA must demonstrate that it has attempted to find a successor homesteader for the property who can assume the existing rehabilitation loan.
 2. the property cannot be homesteaded because its physical condition is such that homesteading is obviously impossible. This could include severe structural, fire, or termite damage, major vandalism, or other conditions making the property an immediate danger to health and safety. These conditions must have been beyond the LUHA's control. If not, see paragraph 3.a. below.
 3. where demolition is proposed, an approvable alternative use for the vacant land is submitted also in accordance with paragraph 10-2, B. Careful consideration should be given to approving requests for demolition. A LUHA may make a poor property selection initially, or a property may be held in inventory for an extended period, after which time it is so deteriorated and vandalized that costs to repair are prohibitive for homesteaders and there can be no alternative use for the structure, but demolition.
 - a. If demolition is required because the LUHA did not act responsibly to homestead the property after acquisition by securing one or more homesteaders as necessary to comply with Paragraph 5, of the Urban Homesteading Program Participation Agreement (Appendix 4), or by inspecting properties prior to taking title and securing and managing properties after acquisition, the Section 810 account shall be reimbursed pursuant to 24 CFR 590.31(e).
 - b. If demolition is required due to no fault of the LUHA, i.e., fire, the Urban Homesteading Coordinator shall advise the LUHA to attempt to sell the property and dispose of proceeds in accordance with paragraph 10-2, C.

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4. where sale of a property is proposed, it must result in the furtherance of the locality's coordinated approach to neighborhood improvement, and the LUHA is prepared to account for the sales proceeds as program income. The sale or transfer for the purpose of residential reuse is not an approvable option.
- C. If the request is approvable, the Urban Homesteading Coordinator shall prepare a letter to the LUHA for the Field Office Manager's signature stating that the proposed action is authorized and any conditions as noted in paragraph 10-2, E., Control and Monitoring, shall be imposed as a condition of the approval.
- D. If the request is not approvable, the Urban Homesteading Coordinator shall prepare a letter for the Field Office Manager's signature stating the reasons for the disapproval and any further requirements, as applicable, that may be imposed.
- E. A copy of the approval or disapproval letter shall be sent to the Regional Director for CPD and to the Director, Urban Homesteading Program, Rehabilitation Loans and Homesteading Division, Headquarters.

CHAPTER 11. REPORTING AND RECORDKEEPING

11-1. URBAN HOMESTEADING PROGRAM MANAGEMENT INFORMATION SYSTEM (UHPMIS)

- A. The Urban Homesteading Program Management Information System (UHPMIS) and the reports generated by the system are required in order for HUD to monitor and evaluate the various Urban Homesteading Programs administered by LUHAs. Data collected are used also in the preparation of the statutorily required Annual Report to Congress.
- B. The UHPMIS is an automated information system. Information for HUD-approved Urban Homesteading programs and overall program data is be stored and tracked on a System 2000 data base in Headquarters. The stored data represents the current fiscal year and a cumulative summary since the inception of each individual program. The data are updated by extracting data from the C24 Field Office Reporting and Management System/Community Planning and Development (FORMS/CPD), from the A96 Program Accounting System (PAS), and from the Housing R07 Critical Path Processing System (CPPS). Input provided by the LUHAs on the computer-generated turnaround documents noted below is used to update the data base quarterly.

11-2. LUHA REPORTING FOR UHPMIS

- A. All LUHAs (active, inactive, closed out) that were reporting to HUD under the manual system and newly approved LUHAs in FY 1986 and thereafter must submit data for the UHPMIS on all properties acquired with section 810 funds that have not yet been transferred in fee simple to homesteaders. This includes:
 1. all properties recently acquired;
 2. all properties in the LUHA's inventory awaiting transfer to homesteaders; and
 3. all properties that have been transferred (conditionally) to homesteaders, and for which the LUHA still has a reversionary interest, or the equivalent.
- B. Appendix 7 provides instructions for the preparation of the Homesteading Property Addition, HUD-40063, for initial input of properties into the system and Appendix 6, HUD-40063-A, provides instructions for updating the status of the properties on the computer-generated Quarterly Property and Progress Reports.
 1. Homesteading Property Addition HUD-40063. This form prepared by the LUHA is used for initial input of a property(ies) into the system. Data elements consist of the property source

(FHA, VA, FmHA and Local properties acquired with Section 810 under the Local Property Demonstration), case number, address, census tract, number of dwelling units, value, the date the property was offered to the LUHA, the LUHA's acceptance date, the acquisition date by the LUHA, and the source of funding for the acquisition of each property. This form is submitted to Headquarters by the LUHA each quarter if new properties are to be added to the system.

2. Quarterly Property Report. This report is computer-generated in Headquarters based on the initial data from the HUD-40063. This report tracks steps in the acquisition of properties by the LUHA. Any information not originally entered by the LUHA on the HUD-40063 for a property is entered on this report. For example, the acquisition price may not have been known at the time the property was originally entered on the HUD-40063.
 3. Quarterly Progress Report. This report is computer-generated in Headquarters based on the initial data from the HUD-40063. It serves as the principal source of data concerning management of properties after acquisition by the LUHA through final conveyance to the homesteader. This includes the dates of conditional conveyance, start of rehabilitation, occupancy by the homesteader, completion of rehabilitation, and final closing. Reported also are properties that were identified for an alternative use, a range of income of homesteaders, the racial/ethnic composition of the homestead family and the source and amounts of rehabilitation financing on homesteading properties.
- C. After initial input into the UHPMIS. By the 15th of the last month of the quarter, HUD Headquarters will send a copy of the computer-generated reports covering the previous quarter's activities for updating to each LUHA. The Urban Homesteading Coordinator will receive a copy of both reports for each LUHA from the Administrative Services Division in the Field Office via the Printlist. These reports will appear as C45CBCB, Urban Homesteading Quarterly Report (PROP RPT), and C45CCCB, Urban Homesteading Quarterly Progress Report (PROG RPT). These reports will be run on the 15th of March, June, September and December and will be available for only 3 days.
- D. The LUHA will edit and update the reports through the end of the current quarter. The LUHA will return the Property and Progress reports (which have changes) and the HUD-40063 (if new properties are added) directly to the Director, Urban Homesteading Program, Rehabilitation Loans and Homesteading Division, Headquarters, within 30 days after the end of the quarter.
- E. The OMB control number for the UHPMIS is 2506-0042.

11-3. FIELD OFFICE RESPONSIBILITIES FOR UHPMIS AND FORMS/CPD

The Urban Homesteading Coordinator:

- A. is responsible for monitoring the timely submission of the LUHAs reports according to the schedule noted in the Homesteading Property addition, HUD-40063, and Instructions for updating the Quarterly Property and Quarterly Progress Reports, HUD-60063-A;
- B. is responsible for ensuring that LUHAs submit complete and accurate data to Headquarters according to the HUD-40063 and HUD-40063-A;
- C. shall reconcile discrepancies in reporting by the LUHA, the PAS and CPPS data when problem areas are identified through review of the UHPMIS reports;
- D. shall update the FORMS/CPD data base with data from the Standard Form 424, Application for Federal Assistance, that was submitted for each LUHA approved in FY 1986, and from new application approvals in succeeding years. Subsequent changes based on the annual request for program participation, amendments to the application, funding levels, and close-outs, must be inputted in FORMS/CPD to update the UHPMIS (see Appendix 20);
- E. shall send a memorandum to Headquarters with the name of a new LUHA's contact person, address, telephone number, and subsequently keep Headquarters informed of any changes in the LUHA's contact person, address, telephone number, and program status (i.e., active, inactive, or closed out).

11-4. OTHER UHPMIS REPORTS

The UHPMIS will produce other reports based on data furnished by the LUHAs in their quarterly Property and Progress Reports, and data provided by the PAS, and FORMS/CPD. These reports will be available to Urban Homesteading Program staff in Headquarters, Regional and Field Offices.

Quarterly Property Transfer Report

This report summarizes property transfers (number and value) for the fiscal year, and duration of the program for each LUHA, showing totals for each Field Office.

Semi-Annual Milestone Report

This report summarizes the number of properties for each LUHA by source of the property and source of funding and the number of

properties in each stage of management. Detailed data are printed at the LUHA level and totals are printed at the Field Office level.

Annual Rehabilitation Report

This report summarizes rehabilitation data (number of properties, dwelling units and funding) for each LUHA, for the fiscal year, showing totals for each Field Office.

11-5. REGIONAL OFFICE REPORTING.

The Regional Office Urban Homesteading Coordinator will prepare two reports on the status of Section 810 funds.

A. Monthly Report of Regional Funds Use, HUD-40064-B.

This report, HUD-40064-B (Appendix 21), summarizes by each Field Office the amount of Section 810 funds reserved under HUD-718's for FHA, FmHA, Section 312, and VA properties and dwelling units. The Regional Urban Homesteading Coordinator should obtain this information from the Field Office Urban Homesteading Coordinator and not the RAD. This report is due on the 10th of the month following the reporting month.

For the last report of the Fiscal Year, the Regional Coordinator must submit the above required data for all properties on which closings occurred by September 30.

The end of the year report should be reconciled to the RAD's recordation of Section 810 funds expenditures by LUHA prior to submission to Headquarters.

B. Annual Report of LUHA Funds Use, Section 810 Regional Report, HUD-40064-A. This report, HUD-40064-A (Appendix 22), summarizes data on the actual expenditure of Section 810 funds based on property closings for all LUHAs under each Field Office. The Field Office subtotals should equal the corresponding figures in the September Monthly Regional Status of Funds Use Report. This report is due in Headquarters on October 15.

11-6. OTHER PERIODIC REPORTS

- A. HUD Handbook 1970.33 REV.-2, Accounting Procedures, Program Accounting System (PAS), provides a complete list, description, and frequency of all reports available from the PAS. The Regional Urban Homesteading Coordinator and/or Regional Director for CPD should use the Status of Funds Report, A96CICA, which provides the status of the Field Office's sub-assignment, reservations, obligations, and remaining balance, and the Grant Status Report, A96CYCA, which provides the status of an individual LUHA for program oversight and management to monitor funds use. Each month

the RAD will prepare a summary Report on Distribution of Disbursements, HUD-27043 (Appendix 23). This reflects the amount of Section 810 funds paid to FHA, VA, FmHA and the Section 312 fund during the month. The RAD should submit a copy to the Regional Director for CPD and any discrepancy between the amount of disbursements on the summary and the PAS should be reconciled (see paragraph 6-5, A).

- B. Single Family PD in the Field Office produces a HUD Property Disposition Program Acquired Home Properties Monthly Report, R07AMCA, on the automated Housing CPPS (see Appendix 25) to report on property acquisition and disposition activities. CPPS is also capable of producing on demand inquiry reports of property information (city, state, street name and number, zip code, census tract general features, status, and condition). Any reports deemed useful by the Urban Homesteading Coordinator or Regional Director for CPD may be requested from Housing.

11-7. HUD RECORDKEEPING

The Field Office Urban Homesteading Coordinator shall develop a system of recordkeeping which includes at a minimum the following records:

- A. LUHA File. An individual file for each LUHA which includes:

1. Application and amendments, including an executed Urban Homesteading Program Certification, HUD-40073
2. Annual request for participation
3. Urban Homesteading Agreement, HUD-40051, and amendments
4. HUD-40052, HUD Notification
5. Monitoring Reports (findings and resolutions)
6. Alternative Use (approvals and disapprovals)
7. Complaints and resolution efforts
8. Audit reports
9. All correspondence with the locality and concerning the locality.

- B. Funds Management. A file of all Section 810 financial activity which includes:

1. a financial record showing Section 810 allocations and reallocations to the Field Office, reservations to localities, and obligations for properties, with monthly and annual reconciliation results; and
2. a file or record of all financial forms (HUD-185.1, 718, 40050, 9589, 1, Standard Form 1034, and VA or FmHA closing documents).

C. Program Status. A file of all progress reporting activity which includes:

1. lists of available properties (Section 312, FHA, VA, FmHA);
2. a file or record of the most recent Quarterly Property and Progress Reports.

11-8. LUHA RECORDKEEPING

The LUHA shall develop a system of recordkeeping which will enable it to manage the homesteading program in a timely and cost effective manner. At a minimum, the LUHA must have:

- A. An Accounting System capable of breaking out and keeping track of:
 1. administrative costs directly related to the management and support of the homesteading program;
 2. property acquisition costs;
 3. homesteading rehabilitation financing; and
 4. public and private investment supporting homesteading and neighborhood improvement efforts in target neighborhoods.
- B. A Progress Tracking System capable of detailing the status of each property as it goes through the homesteading process (UHPMIS Quarterly Progress Report).
- C. A Program Information File(s) Containing:
 1. neighborhood improvement strategy (a coordinated approach to neighborhood improvement);
 2. homesteading program design, application and certifications;
 3. legal and financial documents;
 4. correspondence with federal agencies;
 5. complaints and resolution efforts;
 6. inspection reports and results;
 7. "proof of purchase" form issued by the NFIP for affected properties;
 8. data showing the extent to which persons of different races, sexes, religions, national origins, ages, handicaps, and

familial characteristics are applicants for, and participants in, the program;

9. evidence that properties were marketed to reach "eligible persons who are not likely to apply without special outreach;"
10. evidence showing that properties were offered to "priority" applicants first, prior to offering them to applicants who do not meet the lower income definition.

11-9. RECORDS RETENTION AND DISPOSITION

- A. HUD. Public Law 95-440 prescribes mandatory use of the General Records Schedules issued by the General Services Administration (GSA) for the retention and disposal of records and reports prepared by personnel of HUD. HUD has in turn issued two Handbooks to describe the records and to provide mandatory disposition instructions for them. All records and reports are to be retained or disposed of in accordance with the provisions of these two Handbooks which are listed below:
 1. HUD Handbook 2225.6, REV-1, HUD Records Disposition Schedules, October 1988.
 2. HUD Handbook 2228.2, REV-2, General Records Schedules, February 1989.
- B. LUHA. The LUHA will maintain adequate financial records, property disposition documents, supporting documents, statistical records, and all other records pertinent to each annual local urban homesteading program, as described in paragraph 11-8 of this chapter, until either it transfers fee simple title to all federally-owned properties from that year to the homesteader or receives HUD approval of an alternative use and has implemented such alternative use.

CHAPTER 12. HUD REVIEW OF LUHA PERFORMANCE

12-1. PURPOSE

At least once each fiscal year the Urban Homesteading Coordinator, with the assistance of other CPD staff, as necessary (CPD Representative, Financial Specialist, or Rehabilitation Specialist) shall review the performance of each LUHA not closed out. Other HUD staff (Fair Housing and Equal Opportunity, Counsel, Housing, etc.), may be consulted and assist, as necessary, in reviewing the performance of the LUHA.

The review shall determine whether the LUHA has a continuing legal and administrative capacity to carry out the homesteading program in a timely and cost effective manner and meets the other performance review standards in 24 CFR 590.29. The LUHA must be:

- A. complying with the Urban Homesteading Program Participation Agreement and Certifications, the Act, the Urban Homesteading Program regulations at 24 CFR Part 590, this Handbook and other applicable Federal laws and regulations;
- B. carrying out the program substantially as approved by HUD in its application and any subsequent amendments;
- C. selecting federally-owned properties that are suitable for homesteading and rehabilitation as required by 24 CFR 590.7(b)(1);
- D. making reasonable progress in moving properties through the stages of the homesteading process, including acquisition, homesteader selection, and conditional conveyance, without making an unreasonable number of requests for alternative uses of properties selected, or for extensions of the time periods specified in 24 CFR 590.17(a)(2)(ii) or (c)(1); and
- E. making reasonable efforts to insure that improvements in neighborhood public facilities and services in homestead target neighborhoods which the LUHA proposed in its plan for a coordinated approach to neighborhood improvement in 24 CFR Part 590.7(a) are occurring on a timely basis.

12-2. TYPE OF REVIEW

The annual performance review will be conducted in house for each LUHA with an executed Urban Homesteading Participation Agreement in effect unless the LUHA is identified for an on-sight monitoring review under the risk-analysis monitoring system. Under this system, the Urban Homesteading Coordinator should identify LUHAs based on their

program complexity, local capacity, recent problems, and past monitoring. Under this system, priority should be given to reviewing staff capacity and compliance with program procedures of new LUHAs and to look at LUHAs with serious problems.

The Guide for Limited Monitoring Review appears in CPD Monitoring Handbook, 6509.2 REV-4, Chapter 6, Exhibit 6-3. The Guide for In-Depth Monitoring of Local Urban Homesteading Programs is contained in Appendix 24 of this Handbook. While use of either of these guides is not mandated, the reviewer must address all of the same issues and retain comparable documentation to that called for in the applicable guide when undertaking either limited or in-depth monitoring.

The Field Office must consider all available facts and data, which may include:

- A. UHPMIS Quarterly Property and Progress Reports;
- B. records maintained by the LUHA;
- C. results of HUD's monitoring of the LUHA's performance;
- D. audit reports, whether conducted by the LUHA or by HUD auditors;
- E. records of comments and complaints by citizens and organizations; and
- F. litigation history.

If other than an on-site review is conducted, the Field Office must be reasonably sure that the LUHA's program is in compliance with all elements identified in paragraph 12-1. A copy of the monitoring letter shall be sent to the Director, Urban Homesteading Program, Office of Urban Rehabilitation, Headquarters.

12-3. FAIR HOUSING AND EQUAL OPPORTUNITY REQUIREMENTS

Whether the monitoring review is conducted on-site or in-house, the FHEO Specialist shall review the affirmative marketing practices of the LUHA including the advertising and other marketing requirements of Chapter 3, paragraph 3-1 E, as well as policies, practices and procedures for eligible homesteader selection of property and/or the method used to assign properties to homesteaders. Homesteader selection methods must also be monitored to ensure that the LUHA is complying with the authorities cited in 24 CFR 590.11(d)(5). Information for this purpose may be obtained from the Urban Homesteading Program Management Information System (UHPMIS) Quarterly Property and Progress Reports or locality records. In addition, the form of deed or lease used by the LUHA for the transfer of homesteading properties must be reviewed to ensure that a covenant runs with the land in accordance with Chapter 3, paragraph 3-1F of

this Handbook, and paragraph 9 of the Urban Homesteading Agreement, HUD-40051. Materials may be requested from the LUHA when an in-house review is conducted.

12-4. FLOOD INSURANCE PURCHASE REQUIREMENTS

Monitoring for compliance with the Flood insurance purchase responsibility required by the Flood Disaster Protection Act will be conducted in accordance with Exhibit 12-1 and Chapter 12 (Section 1) of HUD Handbook 6509.2 REV 4, Community Planning and Development Monitoring Handbook.

12-5. ANNUAL REVIEW OF CLOSED-OUT PROGRAMS

The Urban Homesteading Coordinator shall have the responsibility for reviewing closed-out programs to determine compliance with conditions imposed under the initial letter of completion. This will involve, at a minimum, a yearly in-house review until the last Section 810 property is conveyed in fee simple to a homesteader, or HUD has approved an alternative use for the property and the LUHA has implemented it. The HUD Office shall address any noncompliance and apply corrective and remedial action, as appropriate, in accordance with Chapter 13 of this Handbook.

CHAPTER 13. CORRECTIVE AND REMEDIAL ACTIONS AND SANCTIONS

13-1. CORRECTIVE AND REMEDIAL ACTIONS

- A. At any time during the program year when the Urban Homesteading Coordinator discovers or learns of a problem that appears to require corrective or remedial action in a locality's urban homesteading program, immediate action should be taken in accordance with 24 CFR 590.21 or 590.31 and this Handbook.

Technical assistance should always be offered to the LUHA. In cases of suspected fraud, the HUD Office of Inspector General should be informed immediately for further investigation and action.

- B. The Urban Homesteading Coordinator shall document all findings of non-compliance and file them in his/her file on the LUHA along with documentation of all correspondence and efforts to resolve the problem.
- C. As an initial corrective action, except where there is clear and convincing evidence of ongoing statutory non-compliance, a letter of warning signed by the Field Office Manager, or designee, shall be sent advising the LUHA of its deficiency(ies), and putting the LUHA on notice that more serious corrective and remedial actions will be taken by HUD if the LUHA does not correct the deficiency or if it is repeated. The letter shall also specify what the corrective and remedial actions will be. Copies shall be sent to the Director of the Urban Homesteading Program, Rehabilitation Loans and Homesteading Division, CPD, Headquarters. See also paragraph 13-2.D.
- D. Letters issuing warnings and specifying corrective and remedial actions should be detailed and always include schedules for implementation, and penalties for noncompliance, as permitted by 24 CFR 590.21 and 590.31.

13-2. PROCEDURES FOR IMPOSING SANCTIONS

- A. When all reasonable efforts to correct problems have failed, or in all cases where there is clear and convincing evidence of ongoing statutory non-compliance, the Urban Homesteading coordinator shall recommend the imposition of sanctions on the LUHA.
- B. Sanctions should be matched to the severity of the problem and may include one or more of the following:
1. temporary suspension of an identified, defective activity, e.g., suspension of property acquisition from the Section 312,

FHA, VA and FmHA inventories, until corrective action has been taken (see 24 CFR 590.31(b)).

2. suspension of new, or cancellation of existing reservations of Section 810 funds (24 CFR 590.21) or conditioning the approval of the next annual request for program participation if there is substantial evidence of a lack of progress, noncompliance, or a lack of continuing capacity (24 CFR 590.31(c)). In conditioning cases, HUD shall specify the reasons for the conditional approval and the actions necessary to remove the condition.
 3. repayment to the Section 810 fund if a LUHA has converted a property for a non-homesteading use, received excessive consideration for its conveyance, or failed to adequately preserve and protect the property so that it no longer can be homesteaded or will be affordable to a homesteader. The LUHA may be required to repay to HUD either the amount of compensation that the LUHA received or the amount of Section 810 funds expended for the property, as appropriate (24 CFR 590.31(e)).
 4. termination of the Urban Homesteading Program Participation Agreement and close-out of the program, in cases of continued substantial noncompliance (24 CFR 590.31(d)).
- C. The Field Office Manager, or designee, shall sign all letters notifying the LUHA of sanctions. Field Office Counsel shall review and concur in all letters imposing sanctions under this Paragraph 13-2. Copies shall be sent to the Director of the Urban Homesteading Program, Rehabilitation Loans and Homesteading Division, CPD, Headquarters.
- D. Letters containing warnings and/or specifying sanctions shall also specify remedial actions to be taken and acceptable timeframes for actions to be corrected. In general, unless there is a danger that the LUHA will take further actions in noncompliance with the Act in the interim, the LUHA should be given 30 calendar days within which to present its point of view and appeal the matter to the Field Office Manager if there is disagreement. In cases where there is clear and convincing evidence of ongoing statutory non-compliance, an interim sanction, such as suspension, shall be imposed immediately to maintain the status quo until a permanent sanction goes into effect, or the noncompliance is resolved.

CHAPTER 14. - CLOSE-OUT PROCEDURES

14-1. INITIATION

Close-out proceedings shall begin when one or more of the following occurs:

- A. the LUHA determines that it does not have continuing administrative or legal capacity to carry out the program in a timely or cost-effective manner, or otherwise decides that it does not want to participate (voluntary closeout);
- B. HUD terminates the LUHA's program because the LUHA's performance does not meet the standards specified in 24 CFR 590.29(a); or
- C. HUD terminates the LUHA's program because the LUHA did not acquire any federally owned properties in the previous two Federal fiscal years and because local market conditions demonstrate that an insufficient number of affordable, federally-owned properties is likely to be available for the next fiscal year.

14-2. IMPLEMENTATION

- A. The Field Office Manager will notify the LUHA that close-out will occur for any one of the reasons stated in paragraph 14-1. No close out may occur unless all properties have been conditionally conveyed to homesteaders. In cases of involuntary termination, the LUHA shall be provided an opportunity to present arguments within 30 calendar days for continuation in the program.
- B. If the Field Office Manager decides against close-out after receipt of the locality's rebuttal in accordance with paragraph 14-2 A. above, the Manager shall write to the locality specifying conditions and a schedule for implementation of actions to remedy program deficiencies. If the LUHA has been inactive for two or more years and chooses to reactivate its program instead of closing out, the applicant's application must be updated to reflect the current situation and reviewed by the Field Office, pursuant to Chapter 4, paragraph 4-6.
- C. If the Field Office Manager decides to proceed with close-out, the Manager shall take the following steps.
 1. Request the LUHA to provide the following on all federal properties acquired with Section 810 funds:
 - a. a report on all properties that were conveyed fee simple to homesteaders prior to implementation of the UHPMIS in FY 1986 if they were not originally input into the system. The report shall include:

- (1) property address;
 - (2) Section 810 drawdown amount;
 - (3) date of transfer from Federal Agency to LUHA;
 - (4) date of conditional conveyance from LUHA to homesteader;
 - (5) date of final conveyance (if the homesteader has met all program requirements);
 - (6) disposition of property other than homesteading, date of HUD approval, and alternative use;
- b. updated UHPMIS Quarterly Property and Progress Reports for all properties that have not been conveyed fee simple;
 - c. an audit. The LUHA shall be audited in accordance with 24 CFR Part 44, Non-Federal Governmental Audit Requirements which establishes Single Audit Act requirements in accordance with OMB Circular A-128. All findings shall be answered by the LUHA. The audit is an eligible CDBG administrative cost for the Urban Homesteading Program under 24 CFR 570.206(e).

HUD reserves the authority to conduct its own audit of a LUHA, if needed, on a case-by-case basis. If a HUD Field Office becomes aware of irregularities in the administration of the Urban Homesteading Program, an audit shall be requested. A specific audit more extensive than the organization-wide audit under 24 CFR Part 44 will provide HUD access to all books, accounts, records, reports, files and other papers or property pertaining to the locality's program.
2. Request the LUHA to prepare a plan for managing the program after closeout which shall contain:
 - a. the name, title, office and telephone number of contact person responsible for oversight; and
 - b. a schedule for completion of homesteading activities on properties not yet conveyed fee simple, or for which alternative use conditions have not yet been satisfied.
- D. The CPD Director shall write to the HUD property disposition office and VA and/or FmHA property management offices involved with the LUHA to inform them of the impending close-out, and request the suspension of all future property transfers to the LUHA, as well as the further notification of available properties noted in Chapter 7, paragraph 7-2, and Chapter 8, paragraph 8-3.

- E. The CPD Director shall request from the Director, Post Insurance Division, OFA, Headquarters, a list of properties acquired by the LUHA prior to October 1, 1983, if applicable. The list shall contain the FHA, VA or FmHA case number, property address, and value charged against the Section 810 account for the property.
- F. The Urban Homesteading Coordinator shall furnish a list of properties, as appropriate, acquired on or after October 1, 1983 to the RAD for confirmation of the value charged to the Section 810 account for each property. This list should be based on in-house Field Office documents, i.e., HUD-718's, property closing documents, etc.
- G. The Urban Homesteading Coordinator shall review the information received from the LUHA, the RAD, and any LUHA responses to findings, along with HUD monitoring reports and other correspondence with the LUHA; resolve any discrepancies in data and accounting; and note any findings which require further action by the LUHA prior to close-out. (The Urban Homesteading Coordinator may need to contact the HUD, VA, and/or FmHA property disposition offices to resolve discrepancies, if any.)
- H. The CPD Director shall, if necessary, arrange a meeting with the LUHA and local officials to discuss the findings of the Urban Homesteading Coordinator and decide equitable methods and schedules for resolutions.

14-3. CLOSE-OUT CONDITIONS

- A. After the Urban Homesteading Coordinator's close-out review, the Field Office Manager shall send a letter of completion to the Chief Executive Officer of the locality notifying him/her of close-out of the program.

The letter of completion shall contain conditions for unmet obligations which may or may not be limited to the following:

1. identification and resolution of any monitoring findings or of any findings from a subsequent Circular A-128 audit;
2. reporting requirements on the progress of implementing actions to correct findings;
3. a reference to the LUHA's obligation to monitor the milestones of properties from initial conveyance to the locality through final conveyance to the homesteaders and to report to HUD on the UHPMIS Quarterly Progress Report (see Appendix 6);
4. a reference to the LUHA's obligations under its management plan until fee simple title to all properties has been conveyed;

5. a statement that the LUHA must take whatever action is necessary to enforce the existing Homesteading Agreement and to complete fee simple conveyance to homesteaders or to successor homesteaders, or to obtain approval for alternative use from HUD for properties conveyed to the LUHA for homesteading prior to close-out; and
6. a statement that flood insurance coverage for affected property owners must be maintained for the mandatory period, where the latter extends beyond a "close-out" or completion.

A copy of the letter shall be sent to the Director of the Urban Homesteading Program, Rehabilitation Loans and Homesteading Division, Headquarters.

14-4. RESPONSIBILITIES OF LUHA AFTER RECEIPT OF LETTER OF COMPLETION

- A. Notwithstanding the LUHA's responsibilities for fulfilling all requirements as a result of conditions imposed on the initial letter of completion, the LUHA is responsible for continued monitoring of the Homesteader Agreement with homesteaders, including their being current on the rehabilitation financing and assuring that the homesteader is in residency for the remainder of the 5-year period.
- B. If there is any material breach by the homesteader of the Homesteader Agreement after HUD has issued the letter to the LUHA, the LUHA shall attempt to work with the homesteader for resolution. If resolution cannot occur with the original homesteader the LUHA shall notify the Urban Homesteading Coordinator requesting relief from its obligation to seek another homesteader for a new residency term under 24 CFR Part 590.7(c). The LUHA shall explain the circumstances of the breach of the Homesteader Agreement, its efforts for resolution, whether another homesteader can assume the responsibilities of the property for the remaining residency requirement of the original homesteader if more than two years (see Chapter 3, paragraph 3-1, I), or identify an alternative use for the property (See Chapter 10). (The LUHA will continue to be liable for the physical condition of the property.)

The Field Office Manager will respond to the request for relief within 30 days of receipt. The HUD Office may grant the LUHA's request or recommend another alternative.

14-5. FINAL CLOSE-OUT LETTER

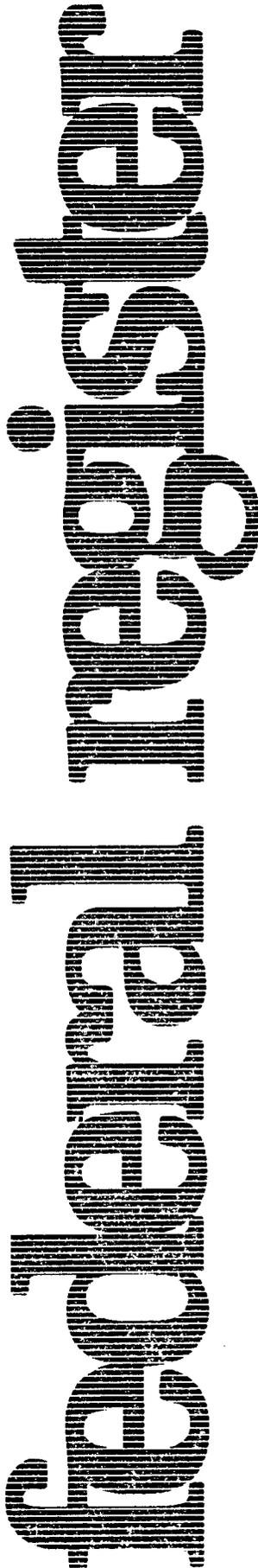
If there are no conditions, the initial letter of completion shall constitute the final close-out letter, and should be so designated as the final closeout letter. Otherwise, a final close-out letter shall be sent from the Field Office Manager to the Chief Executive Officer



when the LUHA meets all conditions of the initial letter of completion. (This could possibly be five years or more after the initial letter of completion.) A copy shall be sent to the Director, Urban Homesteading Program, Rehabilitation Loans and Homesteading Division, CPD, Headquarters.

Friday
June 2, 1989

Appendix 1



Part IX

**Department of
Housing and Urban
Development**

Office of the Assistant Secretary for
Community Planning and Development

24 CFR Part 590
Urban Homesteading Program;
Implementation of 1987 Statutory
Amendments and Revision of Selected
Program Procedures; Final Rule

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

**Office of the Assistant Secretary for
Community Planning and
Development**

24 CFR Part 590

[Docket No. R-89-1413; FR-2461]

RIN 2506-AA79

**Urban Homesteading Program;
Implementation of 1987 Statutory
Amendments and Revision of Selected
Program Procedures**

AGENCY: Office of Community Planning
and Development, HUD.

ACTION: Final rule.

SUMMARY: This rule implements amendments to the Urban Homesteading Program regulations made by sections 517 (c) and (d) of the Housing and Community Development Act of 1987 ("1987 Act"). In accordance with section 517(c) of the 1987 Act, the rule eliminates the former three pronged "special priority" test for the selection of homesteaders and substitutes a single priority selection criterion—that the prospective homesteader should be a "lower-income" person or family. The rule also implements section 517(d) of the 1987 Act, which authorizes States and units of general local government participating in the program to enter into agreements with designated "qualified non-profit organizations" to perform functions under the local urban homesteading program, including selecting homesteaders and properties, and accepting title to and conveying the properties to homesteaders. Finally, the rule also makes a number of specific changes in program procedures, such as specifying certain additional documents that must be submitted with a locality's urban homesteading application, setting a guideline that a local urban homesteading agency should generally anticipate homesteading a minimum of five properties per year in order to participate effectively in the program, and raising the existing limit on the values of properties selected for homesteading from \$20,000 to \$25,000 for one-unit properties, and from \$5,000 to \$8,000 per additional unit in two- to four-unit properties. In addition, the program's fund reservation system is being changed from an annual reservation based on estimated annual needs to a system of first-come, first-served reservations for specific properties.

EFFECTIVE DATE: July 17, 1989.

FOR FURTHER INFORMATION CONTACT: Marion F. Connell, Director, Urban Homesteading Program, Rehabilitation Loans and Homesteading Division, Office of Urban Rehabilitation, U.S. Department of Housing and Urban Development, 451 7th Street, SW., Room 7178, Washington, DC 20410. Telephone: (202) 755-5324. (This is not a toll free number.)

SUPPLEMENTARY INFORMATION: The information collection requirements contained in this rule have been submitted to the Office of Management and Budget (OMB) for review under the Paperwork Reduction Act of 1980. The OMB control number, when assigned, will be announced by separate notice in the *Federal Register*. Until the information collection requirements have been approved and assigned an OMB control number, no person may be subjected to a penalty for failure to comply with these information collection requirements. Public reporting burden for each of these collections of information is estimated to include the time for reviewing the instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Information on the estimated public reporting burden is provided under the Preamble heading, *Findings and Certifications*. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Department of Housing and Urban Development, Rules Docket Clerk, 451 7th Street, SW., Room 10276, Washington, DC 20410, and the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503.

Background

Section 517 of the Housing and Community Development Act of 1987 (Pub. L. 100-242) amended section 810 of the Housing and Community Development Act of 1974, 12 U.S.C. 1706e ("1974 Act"), which authorizes the Urban Homesteading Program, as follows.

Section 517(c) eliminates the former three-pronged "special priority" test for the selection of homesteaders and substitutes a single priority selection criterion—that the homesteader selected should be a "lower-income" person or family.

Section 517(d) authorizes States and units of general local government to designate a "qualified non-profit organization," or a public agency, to act as the local urban homesteading agency

(LUHA)—including accepting title to and conveying properties to homesteaders if they so choose.

In addition to the amendments made by sections 517 (c) and (d) of the 1987 Act, section 517(a) amends the 1974 Act to extend the authority for the local property and the multifamily property urban homesteading demonstrations. These demonstrations would be implemented by Notice, rather than by permanent regulations, if they were reinstated. However, the Department is not currently planning to implement either of these demonstrations in FY 1989.

Also, section 517(b) amends section 106(d)(3)(A) of the 1974 Act to allow State participants in the Urban Homesteading Program to use Community Development Block Grant (CDBG) funds for urban homesteading administrative expenses, consistent with the authority available to CDBG grantees other than States. This provision will be implemented by an appropriate revision to the State CDBG Regulations, rather than in this rule. However, this provision is self-executing, and, therefore, it does not require regulatory action to be effective. States participating in the Urban Homesteading Program may charge eligible administrative expenses incurred after February 5, 1988 (the effective date of the 1987 Act) in operating their urban homesteading programs to their otherwise available State CDBG administrative funds, provided such administrative expenditures would satisfy other Title I requirements.

Other changes to Part 590 in this rule are being promulgated at HUD's initiative. Generally, these changes stem from the need to update certain provisions in keeping with comments received from Congressional committee reports, comments from local officials, and HUD's own experience in administering the program since the last major revision of the regulations (see 50 FR 25941, June 24, 1985).

The principal amendments to Part 590 are discussed below in the order that they appear in the final rule. Other technical amendments are in the following sections of Part 590: Sections 590.1 (a) and (b); 590.5 (definitions of "Act" and "LUHA" are amended; new definitions of "lower-income families" and "qualified community organization" are added; and definition of "locally owned property" is deleted); §§ 590.7; 590.11 (c) and (d); 590.13; 590.15; 590.17; 590.19; 590.23; 590.29; and 590.31. These technical amendments have not been separately discussed below, since they

are either editorial in nature, or they are conforming changes to make the amended provision consistent with one of the principal amendments in the proposed rule.

Amendments to Part 590

In § 590.7, "Program requirements," the final rule adds guidance that, in general, local agencies shall select neighborhoods so as to be able to anticipate homesteading a minimum of five properties per year, in order for their programs to be cost-effective and have discernible impact. Under § 590.13, "Standards for HUD review and approval of a local urban homesteading program", compliance with this and other requirements of Part 590 will be considered by HUD in determining whether to approve an applicant's initial application or annual request for program participation. These provisions are established in view of the high demand for scarce program funds in order to establish a reasonable threshold level necessary for continued program participation. Regional economic conditions dictate not only the availability of federally-owned properties but also their price range. These factors, in turn, influence the feasibility of homesteading in the region. Over time, economic conditions shift within regions of the country, so that homesteading may become infeasible in a previously active area due to a lack of foreclosed single-family properties in the HUD, VA, and FmHA inventories, or the increased cost of such properties. Conversely, as more properties become available or their values decrease, homesteading may become very active in an area previously inactive. Without a threshold program level, communities could continue indefinitely in the program, operating ineffective, expensive, low level programs, while other areas with greater need for program resources find it difficult or impossible to obtain funding.

Under "Program requirements" at § 590.7(b)(2), the homesteader selection section is being modified to conform the regulations to section 517(c) of the 1987 Act. The three existing priority selection criteria are deleted and one priority criterion set forth, which gives priority to eligible "lower-income families or individuals," as defined by 24 CFR Part 813. Since HUD has already advised local urban homesteading agencies that this provision is considered self-executing, local agencies should already be selecting homesteaders in accordance with the new single criterion for priority. However, homesteaders notified of their selection in accordance with the previous special priority before

February 5, 1988 (the effective date of the 1987 Act) remain entitled to properties, if they have not received them yet. The final rule makes no change in the basic effect to the statutory priority from existing rules, apart from the simplification of the criterion for priority selection itself. Specifically, a local urban homesteading agency (LUHA) still may not select a homesteader who is not entitled to priority if there is an available priority homesteading candidate who has applied and is qualified for the particular property involved. However, as discussed under "Public Comments—Selection Criteria" below, HUD now explicitly recognizes in the final rule that determining who is qualified for a particular property requires reasonably matching the size of the household selected as homesteaders to the bedroom size of the property available.

Finally, a new provision, designated (iii), was added to § 590.7(b)(2) of the proposed rule and has not been changed in the final rule. This new requirement provides that membership in, or ties to, particular private organizations shall not be made a factor affecting homesteader selection. With the advent of non-profit community organizations being designated as LUHAs, HUD believes it is important to specify that membership in any private organization, doing business with such an organization, or any other ties to a particular private organization, are not made criteria for homesteader selection.

Also under "Program requirements" in § 590.7, amendments to subparagraphs (b)(4) and (b)(6) have been made in order to clarify the LUHA's responsibility to assist in securing compliance with Section 312 Program loan terms and to find a replacement homesteader where it appears that the initial applicant has defaulted on a section 312 loan during the homesteader's conditional title period: During this period, foreclosure of the section 312 loan is generally not a viable option, since it either results in undue loss to HUD, if HUD forecloses only on the homesteader's interest in the property, or it results in the property being lost to the homesteading program, if the LUHA gives up its reverter interest in the property and allows HUD to foreclose and then to sell the property on the open market. The best option both to minimize HUD's loss and to preserve the property for homesteading is for the local agency to identify a successor homesteader who will assume the section 312 loan, or as much of the loan as the property's value at the time of assumption will support. The

amendments are designed to give local agencies clearer regulatory notice of this policy, which is more fully described in CPD Notice 88-21 on this subject issued under HUD's Unified Issuances System. Also, the amendments to § 590.7(b)(6) allow HUD to shorten the homesteading period required of the successor homesteader under that section, if that is necessary to attract a successor homesteader.

Under "Program requirements" in § 590.7, a new paragraph (c) is added entitled "Designation of LUHA." As at present, the applicant State or unit of general local government may act as its own local urban homesteading agency (LUHA), conducting the program and accepting and conveying title to federally owned properties in its own name, or it may designate a legally separate and independent public agency to do so. Similar to present practice, the designation is approved by HUD as part of the program application approval process, and it remains in effect until a new LUHA is designated by the applicant by a program amendment approved by HUD, or the local urban homesteading program is closed out. Finally, also as already permitted (although not specified in the regulation in effect prior to this rule), the final rule specifies that the LUHA itself may carry out its program functions through one or more third party contractors, consultants, or agents, except for the acceptance and conveyance of title to properties. The final rule makes clear that the third party agreements must be in writing, and it may not relieve the LUHA or the applicant of responsibility for the conduct of the program.

In addition, based on section 517(d) of the 1987 Act, HUD also is allowing qualified community organizations to act as LUHAs, under § 590.7(c)(2)(iii) of the final rule. As provided by the 1987 Act, the final rule defines "qualified community organizations" as non-profit corporations whose directors serve without pay and which qualify as IRS section 501(c)(3) tax exempt organizations (See § 590.7(c)(4)). Consistent with present practice, any designated LUHA (whether public or private) must have legal authority to accept and convey title to properties for homesteading purposes. The final rule specifically provides in § 590.7(c)(1) that this key function may not be passed on to another entity by the LUHA unless HUD approves a program amendment designating a new LUHA, because up to three Federal agencies must know on a day-to-day basis what local entity they are authorized to deal with in conveying properties, and to assure that the LUHA

remains properly accountable for the properties it obtains, both to HUD and to the homesteaders who deal with the LUHA.

Finally, the final rule requires a written agreement between the LUHA and the applicant, and it specifies at § 590.7(c)(3) certain provisions which the agreement must contain at a minimum. HUD believes that a written agreement detailing the responsibility of the LUHA is essential for non-profits to act as LUHAs. HUD also believes that program responsibilities will be clarified and accountability strengthened if designated public agencies are also required to enter into such agreements with the responsible States and units of general local government, and the final rule so provides at § 590.7(c)(2)(ii).

Under "applications" at § 590.11, the final rule requires local urban homesteading agencies applying for the first time to submit additional information in their application package. HUD is now requesting a description of the applicant's proposed homesteader selection procedures which complies with the 1987 Act and § 590.7(b)(2) of the regulations, copies of the applicant's proposed legal documents complying with §§ 590.7(b)(3), (5) and (7), an estimate of the number of properties to be acquired during the program year, and a copy of the applicant's written agreement designating any local urban homesteading agency in compliance with § 590.7(c). Receipt of these specific documents is necessary to avoid serious flaws in program design which HUD has found more difficult to correct after the fact. The Department still wishes to offer maximum latitude to local agencies administering the program, but several recent applicants have commented that they prefer more specificity on these matters at program startup. Similarly, in § 590.11(b), HUD is requiring previously approved applicants to submit the information newly required by §§ 590.11(a)(4), (5), (7), (8), and (9) for the first program year following the effective date of the final rule.

Under "Standards for HUD review and approval of a local urban homesteading program" at § 590.13, HUD is adding language changing the point at which environmental review occurs. That will now occur when an urban homesteading neighborhood is approved under this section.

Under "Transfer of HUD-owned property" at § 590.17(b)(4) and under "Reimbursement to FmHA and VA" at § 590.18(c)(1), the administratively imposed maximum amount that may be charged to section 810 appropriations for acquisition of federally-owned, single-dwelling unit properties is being

raised from \$20,000 to \$25,000, in keeping with suggestions from the House-Senate Conference Committee on H.J. Res. 395 (FY 1988 Appropriations Act) in House of Representatives Report No. 100-498 at page 843. This will help keep pace with inflation in real estate market values being experienced in some areas of the country. This cost cap has not been adjusted since 1985. HUD is, however, amending §§ 590.17 and 590.18 to delete HUD Field Office authority to grant local program-wide exceptions to this acquisition cost cap, because of the need to further target the limited program funds to sections of the nation experiencing softer real estate markets. Under the final rule, the price paid for a property shall be the as-is fair market value, not to exceed \$25,000, or a negotiated lesser amount, unless an exception for an individual property is granted by a HUD Field Office. An additional amount up to \$8,000 per unit may also be charged to section 810 funds for properties with two to four dwelling units. This is an increase from \$5,000 per additional dwelling unit, a figure which had not been adjusted since the inception of the program. In addition, the 30 day time frame for which HUD/FHA has been obligated to suspend its routine property disposition activity in urban homesteading neighborhoods is shortened to 21 days to reflect actual program experience and realize economies for the Department.

In § 590.17(b)(2), § 590.18(b), § 590.17(c) and § 590.18(d) changes of a similar nature are made for the purpose of clarifying when the reservation of funds to reimburse HUD, VA, or FmHA for the transfer of a specific property, and how long the reservation may remain outstanding. These changes are necessitated by the change from an annual to a property specific reservation system, which is discussed below under "Public Comments—Reservation of Funds".

At § 590.23, "Program close-out," the final rule gives HUD specific authority to terminate a local urban homesteading program if the LUHA has not acquired any properties for the last two fiscal years and local market conditions demonstrate that an insufficient number of properties will be available for the next fiscal year. Section 590.23(c) is also revised to make clear the LUHA's obligation to continue to monitor, enforce, and implement existing agreements with homesteaders after close-out.

Finally, at § 590.31(e), the final rule clarifies the remedial standard under which HUD may direct the LUHA to repay HUD for homestead properties that the LUHA has mishandled. The

former standard on its face dealt only with properties that the LUHA had "converted to its own use." This standard clearly covered properties that the LUHA had sold, rented, or used for its own purposes without HUD approval; it did not as clearly cover situations in which the LUHA's negligent failure to preserve and protect the property permitted deterioration that made it infeasible to homestead the property, or where the LUHA simply did nothing with the property for more than a year, unless excused by HUD under § 590.7(b)(3) of the final rule. The revised language of the final rule corrects these oversights.

A proposed rule was published for comment on October 19, 1988, at 53 FR 41026. The public comments received and the disposition of those comments are discussed below.

Public Comments

HUD received seven public comments: four from cities, one from a county, one from a technical consulting firm, and one from a HUD Field Office. The principal issues raised are summarized below, with HUD's response following each issue.

Five Property Threshold—§ 590.7(a)

One commenter misinterpreted the five property guideline for annual program participation levels by thinking that this threshold would be applicable to each approved homesteading neighborhood. In fact, the five property threshold is meant to apply on a program-wide basis, for each LUHA, and not on a neighborhood basis, in order for their efforts to be more cost effective and have discernible impact in the community.

Selection Criteria—§ 590.7(b)(2)

One commenter objected to the provision in paragraph (v) of § 590.7(b)(2) of the proposed rule that appeared to require that a single head of household could not occupy a property having more than two (2) bedrooms because the number of family members could increase during the five (5) year occupancy requirement.

As of § 590.7(b)(2)(v) in the proposed rule (concerning "other reasonable selection criteria"), the final rule divides this provision into two parts and renumbers the paragraphs of § 590.7(b)(2). New paragraph (iv) now contains the provisions formerly in paragraph (v) with respect to locally-adopted criteria designed to reasonably match homesteader household size to the bedroom size of the property for which the homesteader is being

selected. Former paragraph (iv) (concerning selection priority for lower income families) has been redesignated as paragraph (v), and the rest of former paragraph (v) (other reasonable selection criteria) has been redesignated as paragraph (vi).

With respect to the public comment cited above, the revised language of paragraph (iv) now states that a one-person household may not "receive" (as opposed to "occupy") a homestead property with more than two bedrooms, unless there are no longer households on the waiting list. Since the provision in question is a selection requirement, the word "occupy" was inappropriate in context. Generally, once a homesteader receives a property, there is no further Federal requirement that the homesteader continue to meet regulatory criteria that relate only to selection, such as the household/property size matching provision, or the provision that a homesteader may not own any other residential property (see paragraph (i) of § 590.7(b)(2)). Of course, after a homesteader does receive (take title to) a property, he or she must continue to comply with the ongoing requirements of the homesteader agreement under § 590.7(b)(5), such as continuing to occupy the property as his/her personal residence for at least five years.

New paragraph (iv) of § 590.7(b)(2) contains another apparent change from the proposed rule, which concerns the relationship of household/property size matching criteria to the lower income selection priority in paragraph (v), as redesignated in the final rule. HUD views the household/property size matching criteria as necessary, eligibility-based selection requirements, which override the "priority" in paragraph (v), and the language following "notwithstanding" at the end of paragraph (vi) in the final rule is intended to make that clear. On the other hand, the "other reasonable selection criteria" concerning locally-adopted residency preferences, which are referred to in paragraph (vi) of § 590.8(b)(2) of the final rule, are not intended to override the lower income priority. That is, a lower-income prospective homesteader on the waiting list should receive a property before anyone on the waiting list who is *not* entitled to the lower-income priority, even if the lower-income household is not entitled to local residency preference and the non-lower-income household does not have local residency preference. Such locally-adopted residency preferences may operate *only* among classes of prospective

homesteaders having the same priority status.

Timely Conveyance to Homesteaders—§ 590.7(b)(3)

One commenter urged that the rule discuss the timely conveyance of properties to homesteaders because it is in a LUHA's best interests to convey properties to homesteaders shortly after acquisition. Therefore, at § 590.7(b)(3), language has been added to state that the time frame between transfer of a homesteading property from HUD to the LUHA and the LUHA's conditional conveyance to a homesteader shall be within one year, or less, of title transfer to the LUHA unless otherwise approved by HUD in writing prior to the expiration of the one-year period.

Acquisition Cost Cap—§ 590.17(b)(4)(i)

Two cities commented on the increase of the acquisition cost cap per property to \$25,000 and requested that it be higher. Both of their LUHAs have been using program-wide high cost exceptions in the recent past which enabled them to purchase properties closer to \$35,000, and they wish to continue this practice. In making this change, the Department realize that not every community may be able to continue participation in the Urban Homesteading Program indefinitely. However, the limited program resources available compared to the national demand for section 810 funding mitigates against a further increase in the acquisition cost cap at this time or a continuation of the use of program-wide high cost approvals. As a basis of comparison, the average acquisition cost per property in FY 1988 was only \$18,043, so the majority of LUHAs are able to obtain suitable properties under \$25,000. For LUHAs who wish to continue in the program, and who can not find properties in this range, they are always free to add CDBG, or other local funds, to the \$25,000 in Section 810 funds to cover higher cost acquisitions (although these additional funds cannot be repaid by the homesteader).

Transfer of HUD-Owned Property (Exceptions)—§ 590.17(c)

One city expressed concern about the possibility of losing potential homesteading properties to "emergency housing needs." This issue became more important to LUHAs after the issuance of a temporary restraining order in the case of *Deborah Lee v. Kemp*, Civil Action No. 88-2395-OG (D.D.C.), which for a short time prohibited FHA from selling properties until the court heard oral arguments to determine whether a preliminary injunction should issue.

While that restraining order has been lifted, the case is still in litigation and, of course, HUD would have to comply with any court ordered action. While the Department understands the commenter's concern, it would be neither prudent nor effective for the Department to attempt to restrict the disposition of FHA-owned properties in such a manner that emergency housing needs are not considered. However, it appears likely that there will be an ample supply of properties appropriate for homesteading in most regions of the country even if some of the FHA inventory is used to help alleviate the homeless situation.

Also, in response to two commenters' concerns as to how much time a LUHA has after acceptance to close on the property, clarifying language has been added to § 590.17(c)(1), where it had not been clear that a LUHA has 30 days from its acceptance of HUD's offer of a property to accept title and close on the transaction.

Reservation of Funds—§ 590.21

The proposed rule formalized major changes in how program budget authority is made available for the use of participating LUHAs. The former system provided that each LUHA would be given an "annual reservation." Over the course of the fiscal year, the LUHAs could then identify properties and acquire them with reimbursement in the appropriate amount per property to the applicable Federal housing loan fund, up to the amount of its "annual reservation." The proposed rule would have changed the funding mechanism to a "first-come, first-served" reservation system for individual properties, "subject to available fund limitations." In response to public comments and discussions with local officials, the final rule retains, but modifies and clarifies, the "first-come, first-served" system contemplated by the proposed rule.

With respect to the basic decision to change to the first-come, first-served system, HUD continues to believe it is generally more efficient and equitable than the former system. In particular, the former system tended to "lock-in" relative funding levels among LUHAs early in the fiscal year, and these levels were based on even earlier data on past fund use and property availability. In reality, however, the supply of properties available to each LUHA during the fiscal year from the HUD, FmHA, and VA inventories may fluctuate significantly, leading to imbalances between the funding authority available to particular LUHAs and the relative numbers of properties

available to them. Previously, complicated adjustments were required to revise relative funding levels at the end of each fiscal year. Furthermore, the older system tended to favor LUHAs that had been in the program longer, since they had more opportunity to build up a high program level in the past, even though some may now have relatively smaller numbers of properties available for homesteading. The modified first-come, first-served system in the final rule continues to make funding generally more competitive among LUHAs, while making changes to improve the fairness of the system, compared to the proposed rule.

One commenter opposed the first-come, first-served system, urging a more stringent priority for large inventory cities, and stating that a strict first-come, first-served policy favored LUHAs closer to the applicable field office. Another commenter agreed with the new system in general, but suggested that the strict first-come, first-served policy favored larger LUHAs, and that smaller LUHAs needed at least a brief initial set-aside in order to effectively identify and request fund reservations for specific properties.

HUD has considered these comments, and the final rule permits HUD field offices to establish, for not more than 60 days, minimum initial allocations of section 810 funding authority for each participating LUHA in their jurisdiction, against which each LUHA will be exclusively authorized to request reservations for specific properties under either § 590.17 (HUD-owned

property) or § 590.19 (VA and FmHA owned-property) for that period. After these temporary allocations are used up or have expired, the LUHA will compete on an equal basis with other LUHAs in the field office jurisdiction for reservations from the field office subassignment. This procedure provides an initial opportunity for smaller LUHAs, or those farther from the field office, to obtain properties on a less competitive basis. Thereafter, however, LUHAs which are more efficient in seeking properties, and which have more properties available from which to choose, will find it easier to obtain funding.

Furthermore, HUD's fund assignments to HUD Regional and Field Offices, from which LUHAs request reservations, are in part based upon past funding levels and in part upon projected demand. Therefore, LUHA's which have larger inventories, and which are also efficient in requesting and homesteading properties, will gradually help increase assignments made to their field offices and will, thereby, be able to obtain a greater share of program resources.

Miscellaneous

A HUD Field Office commenter asked for clarification of eligible expenses for FmHA and VA properties. This will be handled in the handbook for this program.

The same commenter recommended that the definition of "eligible applicant" be expanded to include legally formed regional planning agencies and development districts. With proper

coordination, a regional planning or development agency, if it has the authority to accept and convey properties to homesteaders in its own name and otherwise to carry out a local homesteading program under Part 590, could prepare and submit concurrent applications on behalf of several units of general local government, as their joint "designated agency-LUHA". However, the units of general local government would have to sign the applications themselves as a formal matter. Also, such an agency could be designated to act as a LUHA for the State in which it is located. Given these options, as well as the general Federal policy embodied in the Intergovernmental Cooperation Act of 1968, which favors applications for Federal assistance from states and cities or counties, rather than special purpose bodies, HUD is not disposed to change Part 590 to allow regional agencies directly to apply on their own behalf for homesteading program participation.

Findings and Certifications

The collection of information requirements contained in this rule have been submitted to OMB for review under section 3504(h) of the Paperwork Reduction Act of 1980. Sections 590.11 (a), (b), (c) and (d); 590.17(b); 590.18; 590.21; 590.25; and 590.29(c) of this final rule have been determined by the Department to contain collection of information requirements. Information on these requirements is provided as follows:

**ANNUAL REPORT BURDEN
FINAL RULE—URBAN HOMESTEADING PROGRAM**

Description of information collection	Section of 24 CFR affected	Number of respondents	Number of responses per respondents	Total annual responses	Hours per responses	Total hours
Application (2506-0042)	590.11(a) and (d)	20	1.00	20	30.00	600
Amendment (2506-0042)	590.11(c)	13	1.00	13	4.00	52
Annual request for program participation (2506-0042)	590.11(b)	112	1.00	112	2.33	260
Verification of fund availability, HUD-40050 (2506-0042)	590.17(b), 590.18, 590.21	132	4.00	528	0.25 (15 min.)	132
Homesteading property addition, HUD-40063 (UHPMIS) (2506-0042)	590.29(c)	132	4.00	528	0.50 (30 min.)	264
Quarterly property* report (UHPMIS) (2506-0042)	590.29(c)	132	1.34	176	0.25 (15 min.)	44
Quarterly progress report (UHPMIS) (2506-0042)	590.29(c)	192	4.00	768	1.00	768
Recordkeeping for local urban homesteading programs	590.25	192	1.00	192	3.00	576
Total Annual Burden.....						2,696

*This report replicates data submitted on the HUD-40063. LUHAs do not submit it if it is correct. Less than one-third make additional corrections.

A Finding of No Significant Impact with respect to the environment has been made in accordance with HUD regulations in 24 CFR Part 50, which

implement section 102(2)(C) of the National Environmental Policy Act of 1969. The Finding of No Significant Impact is available for public inspection

during regular business hours (7:30 a.m. to 5:30 p.m. weekdays) in the Office of the Rules Docket Clerk, Office of General Counsel, Room 10276,

Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410.

This rule does not constitute a "major rule" as that term is defined in section 1(b) of Executive Order 12291. Analysis indicates that it does not: (1) Have an annual effect on the economy of \$100 million or more; (2) cause a major increase in costs or prices for consumers, individual industries, Federal, State or local government agencies, or geographic regions; or (3) have a significant adverse effect on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic or export markets.

In accordance with 5 U.S.C. 605(b) (the Regulatory Flexibility Act), the undersigned hereby certifies that this rule does not have a significant economic impact on a substantial number of small entities. The rule implements several statutory provisions that improve the Urban Homesteading Program. These changes have neither a significant economic impact on, nor an effect on, a substantial number of small entities.

Executive Order 12612, Federalism. The General Counsel, as the Designated Official under section 6(a) of Executive Order 12612, *Federalism*, has determined that this rule does not have "federalism implications" because it does not have substantial direct effects on the States (including their political subdivisions), or on the distribution of power and responsibilities among the various levels of government. This rule primarily relaxes and simplifies the criteria for selecting homesteaders. The provision under this rule that authorizes States and units of general local government to designate qualified non-profit organizations or public agencies to act as urban homesteading agencies is merely a function of delegation and does not affect the powers and responsibilities of the States or units of general local government.

Executive Order 12606, the Family. The General Counsel, as the Designated Official under Executive Order 12606, *the Family*, has determined that this rule does not have potential significant impact on family formation, maintenance, and general well-being because it does not affect the mechanics and benefits of the Urban Homesteading Program so far as the beneficiaries of the program are concerned. The rule primarily simplifies some of the requirements and makes procedural changes which do not affect the intended beneficiaries.

The Catalog of Federal Domestic Assistance Program number is 14.230.

This rule was listed as item number 995 in the Department's Semiannual Agenda of Regulations published on April 24, 1989 (54 FR 16708) under Executive Order 12291 and the Regulatory Flexibility Act.

List of Subjects in 24 CFR Part 590

Urban homesteading, Administrative practice and procedure, Grant programs: Housing and community development, Low and moderate income housing.

Accordingly, the Department revises 24 CFR Part 590 to read as follows:

PART 590—URBAN HOMESTEADING

- Sec.
- 590.1 Scope and purpose of regulation.
 - 590.3 Waiver authority.
 - 590.5 Definitions.
 - 590.7 Program requirements.
 - 590.9 Listing of HUD-owned, VA-owned, and FmHA-owned properties.
 - 590.11 Applications.
 - 590.13 Standards for HUD review and approval of a local urban homesteading program.
 - 590.15 Urban homesteading program participation agreement.
 - 590.17 Transfer of HUD-owned property.
 - 590.18 Reimbursement to FmHA and VA.
 - 590.19 Use of section 810 funds.
 - 590.21 Reservation of funds.
 - 590.23 Program close-out.
 - 590.25 Retention of records.
 - 590.27 Audit.
 - 590.29 HUD review of LUHA performance.
 - 590.31 Corrective and remedial actions.

Authority: Sec. 810, Housing and Community Development Act of 1974 (12 U.S.C. 1706e); sec. 7(d), Department of Housing and Urban Development Act (42 U.S.C. 3535(d)).

§ 590.1 Scope and purpose of regulation.

(a) *Scope.* This part applies to the Urban Homesteading Program authorized under section 810(b) of the Housing and Community Development Act of 1974. The program is generally administered through the Department's field offices, which can provide information to the public about the States and localities participating, as well as technical assistance to participants about applying for and operating the program.

(b) *Purpose.* The purpose of the Urban Homesteading Program is to use existing housing stock to provide homeownership opportunities, primarily for lower income families, thereby encouraging public and private investment in selected neighborhoods and assisting in their preservation and revitalization. The program provides for the transfer without payment to a local urban homesteading agency (LUHA) of

federally owned properties for use in a HUD-approved local urban homesteading program.

§ 590.3 Waiver authority.

HUD may waive any requirement of this part not required by law whenever it determines that undue hardship would result from applying the requirement, or where applying the requirement would adversely affect achievement of the purposes of the program.

§ 590.5 Definitions.

"Act" means section 810 of the Housing and Community Development Act of 1974, as amended from time to time.

"Applicant" means any State or unit of general local government that applies for HUD approval of a local urban homesteading program under these regulations.

"Federally-owned property" means any real property to which the Secretary of HUD, the Secretary of Agriculture or the Secretary of Veterans Affairs holds title and which is:

- (1) Improved with a one- to four-family residence;
- (2) Unrepaired and not the subject of an outstanding repair or sales contract; and

(3) Not occupied by an individual or family under a lease. (Property of this nature is also referred to as "HUD-owned property," "FmHA-owned property," or "VA-owned property" when the context requires identification of the particular agency.)

"FmHA" means the Farmers Home Administration, an agency within the U.S. Department of Agriculture.

"Homesteader" means an individual or family that participates in a local urban homesteading program by agreeing to rehabilitate and occupy a property in accordance with § 590.7(b)(5).

"HUD" means the U.S. Department of Housing and Urban Development.

"Local urban homesteading agency" (LUHA) means a State, a unit of general local government, or a public agency or qualified community organization designated in accordance with § 590.7(c) by a State or a unit of general local government.

"Local urban homesteading program" means the operating procedures and requirements developed by a LUHA and approved by HUD in accordance with this part for selecting and conveying federally-owned properties to qualified homesteaders.

"Lower income families" means those families and individuals whose adjusted incomes do not exceed 80 per centum of

the median income for the area, as determined by the Secretary under section 3(b)(2) of the United States Housing Act of 1937. Under the provision of 24 CFR Part 813, the Secretary's income limits for this purpose are updated annually and are available from the Housing Management Division in HUD field offices.

"Qualified community organization" has the meaning specified in § 590.7(c)(4).

"Section 810 funds" means funds available to reimburse HUD, FmHA, or VA (as applicable) for federally-owned property transferred to LUHAs in accordance with this part.

"State" means any State of the United States, any instrumentality of a State approved by the Governor, and the Commonwealth of Puerto Rico.

"Unit of general local government" means any city, county, town, township, parish, village, or other general purpose political subdivision of a State, Guam, the Virgin Islands, or American Samoa, or any general purpose political subdivision thereof; the District of Columbia; the Trust Territory of the Pacific Islands; and Indian tribes, bands, groups, and nations of the United States, including Alaska Indians, Aleuts, and Eskimos.

"Urban homesteading neighborhood" means any geographic area approved by HUD for the conduct of a local urban homesteading program that meets the requirements of this part.

"VA" means the U.S. Department of Veterans Affairs.

§ 590.7 Program requirements.

(a) *Designation of urban homesteading neighborhood; coordinated approach toward neighborhood improvement.* The applicant shall designate the neighborhood or neighborhoods in which it will carry out its local urban homesteading program, and it shall develop a plan that provides for the improvement of these neighborhoods through the homesteading program and the upgrading of community services and facilities, and through other measures needed to assure a suitable living environment, in combination with any other public or private revitalization efforts affecting the neighborhood. In general, the applicant should select neighborhoods so that it can reasonably anticipate homesteading a minimum of five (5) properties per year for the LUHA's overall program during its first full year of operation and each program year thereafter.

(b) *Development of local urban homesteading program.* The applicant

shall develop, in compliance with this part, a local urban homesteading program containing the following major elements:

(1) *Selection and management of properties.* The program shall include procedures for selecting federally-owned properties suitable for homesteading and for managing the properties before conditional conveyance to homesteaders. The program shall also provide that, by accepting title to a property under this part, the LUHA assumes liability for injury or damage to persons or property by reason of a defect in the dwelling, its equipment or appurtenances, or for any other reason related to ownership of the property.

(2) *Homesteader selection.* The program shall include equitable procedures for homesteader selection which:

(i) Exclude prospective homesteaders who own other residential property;

(ii) Take into account a prospective homesteader's capacity to make or cause to be made the repairs and improvements required under the homesteader agreement, including the capacity to contribute a substantial amount of labor to the rehabilitation process, or to obtain assistance from private sources, community organizations, or other sources;

(iii) Provide that membership in, or other ties to, any private organization (including a qualified community organization) may not be made a factor affecting selection as a homesteader;

(iv) Include locally adopted criteria reasonably matching family size to the number of bedrooms in each property for which a homesteader is being selected, provided that a prospective homesteader who is a one person household shall not be permitted to receive a property having more than two bedrooms, unless there are no larger households on the waiting list, notwithstanding the relative standing of the respective households under the lower income priority (see § 590.7(b)(2)(v)).

(v) Provide that, before a property is offered to other prospective homesteaders who are eligible, the property will be offered to eligible lower income families; and

(vi) Include other reasonable selection criteria which are consistent with this § 590.7(b)(2) and which shall be specified in the applicant's application pursuant to § 590.11(a) and approved by HUD under § 590.13. Such selection criteria may include preferences for the selection of neighborhood residents or other local residents, but only to the extent that they are not inconsistent

with this section and with affirmative marketing objectives under § 590.11(d)(5)(ii). Such preferences based on residential location may not be based upon the length of time the prospective homesteader has resided in the jurisdiction or the neighborhood. Also, persons who are employed, or who have been notified that they have been hired, in the jurisdiction shall be extended any preference available to current residents.

(3) *Conditional conveyance.* The program shall provide for the conditional conveyance of federally-owned properties to homesteaders without any substantial consideration within one year, or less, of title transfer to the LUHA, unless otherwise approved by HUD in writing prior to the transfer.

(4) *Financing.* The program shall provide procedures for the LUHA to undertake, or to assist the homesteader in arranging, financing for the rehabilitation required under the homesteader agreement. Where direct Federal loans under section 312 of the Housing Act of 1964 (42 USC 1452b) are used as a rehabilitation financing resource by the LUHA, the LUHA shall make reasonable efforts to assist HUD in monitoring and securing compliance with the terms of the loan during the homesteader's conditional title period.

(5) *Homesteader Agreement.* The program shall provide for the execution, concurrent with or as a part of the conditional conveyance, of a homesteader agreement between the LUHA and the homesteader which shall require the homesteader:

(i) To repair, within one year from the date of conditional conveyance of the property to the homesteader, any defects that pose a substantial danger to health and safety;

(ii) To make or cause to be made additional repairs and improvements necessary to meet the applicable local standards for decent, safe, and sanitary housing within three years from the date of conditional conveyance of the property to the homesteader, and to comply with any energy conservation measures designated by the LUHA as part of the repairs;

(iii) To occupy the property as his or her principal residence for not less than five consecutive years from the date of initial occupancy except as otherwise approved in writing by HUD on a case-by-case basis when emergency conditions make compliance with this requirement infeasible;

(iv) To permit reasonable inspections at reasonable times by employees or designated agents of the LUHA to

determine compliance with the agreement; and

(v) To surrender possession of, and any interest in, the property upon material breach of the homesteader agreement (including default on any rehabilitation financing secured by the property), as determined by the LUHA in accordance with this part.

(6) *Monitoring and selecting successor homesteaders.* The program shall provide that the LUHA will monitor the homesteader's compliance with the homesteader agreement, will revoke the conditional conveyance and homesteader agreement upon any material breach by the homesteader, and, to the extent necessary and practicable, will select one or more successor homesteaders for the property. The LUHA shall make reasonable efforts to assure that any proposed successor homesteader assumes any section 312 loan on the property, subject to HUD approval of the terms of the assumption. If the LUHA selects a successor homesteader, it shall require the successor homesteader to assume the original homesteader's remaining obligations under his/her homesteader agreement and conditional conveyance in compliance with this part. However, the LUHA shall require the successor homesteader to occupy the property for at least five consecutive years after he/she assumes these obligations unless the LUHA requests and HUD approves a lesser occupancy period where necessary to facilitate assumption of a Federal rehabilitation loan under section 312 of the Housing Act of 1964 (42 USC 1452b) or any other public or private financing. Such period will not be less than the greater of (i) two additional years, or (ii) the remaining amount of the original occupancy period.

(7) *Fee simple title.* The program shall provide for the conveyance of fee simple title to the property from the LUHA to the homesteader, or successor homesteader, without substantial consideration upon compliance with the terms of the homesteader agreement and conditional conveyance.

(8) *Homesteading infeasible; alternative use.* If completion of homesteading proves, in the judgment of HUD, to be infeasible for any reason after a LUHA has accepted title to a federally-owned property, the LUHA shall not demolish, dispose of, rent or otherwise convert the property to its own use until HUD approves an alternative use consistent with the coordinated approach to neighborhood improvement.

(c) *Designation of LUHA—(1) Responsibilities.* Under the requirements of this § 590.7(c), the applicant shall designate a LUHA, which shall have primary responsibility for administering the local urban homesteading program for the applicant. The LUHA shall be the legal entity that accepts title in its own name to federally-owned properties conveyed by the applicable Federal agency with reimbursement from section 810 funds and which conveys title to such properties to homesteaders under paragraph (b) of this § 590.7. Although the applicant may at any time amend its local urban homesteading program to designate a new LUHA, subject to HUD approval as described in §§ 590.13–.15 of this part, neither the applicant nor the designated LUHA may delegate or contract out to another legal entity the function of accepting and conveying in its own name title to properties for homesteading purposes under this part. To the extent permitted by the applicant, the LUHA may use third parties as contractors, consultants, or agents to assist in carrying out other functions and responsibilities with respect to the local urban homesteading program, by entering into a written agreement between the LUHA and the third party. No such agreement shall be deemed to relieve the LUHA or the applicant of responsibility for the third party's actions in connection with the local urban homesteading program.

(2) *Identity of LUHA.* The LUHA must have legal authority to carry out a local urban homesteading program as described in this part, including the authority to accept and convey title to properties under paragraph (b) of this § 590.7. To the extent consistent therewith, the applicant State or unit of general local government may:

- (i) Act as LUHA in its own name, while identifying within its administrative organization a lead department or agency to act as the primary contact point for HUD, VA and FmHA as described in § 590.11(a)(7);
- (ii) Designate, and enter into a written agreement with, a legally separate public body or agency to act as LUHA in accordance with this part; or
- (iii) Designate and enter into a written agreement with, a qualified community organization (as defined in § 590.7(c)(4)) to act as LUHA in accordance with this part.

(3) *Content of Agreement with Designated Public Agency or Qualified Community Organization.* The applicant's written agreement with its designated public agency or qualified community organization shall contain at

least the following provisions, and nothing inconsistent therewith:

(i) The agreement of the LUHA to carry out the local urban homesteading program, including the acceptance and conveyance of title to properties for homesteading purposes, in accordance with the Act, this part, and the applicant's HUD-approved urban homesteading application;

(ii) The agreement of the LUHA to hold title (and the right of reverter or other interest retained after conveyance of conditional title to a homesteader) to former federally-owned properties conveyed to it under this part in trust, solely for the purpose of conveying such title to homesteaders (or for such alternative use as may be approved by HUD) pursuant to this part, and not to convey, encumber or otherwise deal with such property for its own benefit or account;

(iii) The agreement of the LUHA promptly to assign or convey title and or other interests in properties held under this part to the applicant, or to such new LUHA as may be designated by the applicant and approved by HUD, if the applicant terminates the LUHA's designation; and

(iv) The agreement of the applicant and the LUHA that the LUHA's designation shall not relieve the applicant of full responsibility to HUD for the conduct of the local urban homesteading program, and that HUD may take any corrective or remedial action under this part against the applicant, the LUHA, or both, solely at HUD's option.

(4) *Definition of Qualified Community Organization.* As used in this part, the term "qualified community organization" means a private non-profit corporation which is:

- (i) Incorporated under applicable State or local enabling legislation and which has the authority necessary to carry out the program;
- (ii) Controlled by a board of directors whose members receive no compensation of any kind for the performance of their duties; and
- (iii) Is organized exclusively for charitable, educational, or scientific purposes, or the promotion of social welfare, and qualifies as an exempt organization under paragraph (3) or (4) of section 501(c) of the Internal Revenue Code of 1986.

§ 590.9 Listing of HUD-owned VA-owned, and FmHA-owned properties.

In order to facilitate planning for local urban homesteading programs, HUD, FmHA, and VA, upon request by a LUHA, each shall provide the LUHA

with a listing of all residential one- to four-unit properties in the LUHA's jurisdiction to which they hold title and which are not subject to executed repair or sale contracts or leases. The LUHA shall give the public access to the list during ordinary business hours at the offices of the LUHA.

§ 590.11 Applications.

(a) *Initial application requirements.* Applicants may submit an initial application under this part to the responsible HUD Field Office at any time during the year. Applications shall consist of:

- (1) Standard Form-424;
- (2) A map of each proposed urban homesteading neighborhood with geographic boundaries indicated and census tracts shown;
- (3) A brief statement of the local goals for the homesteading program for each neighborhood selected;
- (4) A description of the applicant's proposed homesteader selection procedures which complies with § 590.7(b)(2);
- (5) The applicant's proposed legal documents which when read together comply with § 590.7(b) (3), (5), and (7);
- (6) An estimate of the amount of section 810 funds to be used during the current Federal fiscal year and a statement concerning the basis for the estimate, including the number of properties expected to be acquired during the year, prepared after consultation with HUD/FHA, FmHA or VA as appropriate;
- (7) The applicant's written agreement designating its LUHA which complies with § 590.7(c), or, if the applicant proposes to act as its own LUHA, identification of the lead agency primarily responsible for administration of the program;
- (8) The certifications required by paragraph (d) of this section; and
- (9) Any additional documentation HUD specifically requests after review of the initial application under § 590.13.

(b) *Annual Requests for Program Participation.* (1) An applicant that has previously submitted and received approval of an initial application under paragraph (a) of this section shall notify the HUD Field Office in writing on or before August 1 of each succeeding fiscal year if it wishes to continue in the program. At the same time, the applicant shall notify HUD of its estimate of the section 810 funds to be used during the upcoming Federal fiscal year, along with an explanation of the basis for the estimate, including the number of properties expected to be acquired during the year, prepared after

consultation with HUD/FHA, FmHA or VA as appropriate.

(2) Participants with previously approved applications will be required to submit the items described in paragraphs (a) (4), (5), (7), (8), and (9) of section 590.11 with their annual request for program participation for the first Federal fiscal year following the effective date of this regulation. Except for those items, HUD will deem the initial application still in effect as it was finally approved, unless the applicant concurrently submits other amendments under paragraph (c) of this section.

(c) *Amendments.* If the applicant wishes to change any element of its local urban homesteading program that is specifically described in the HUD-approved application (such as the identification of urban homesteading neighborhoods or the designation of the LUHA to carry out the program), the applicant shall submit its proposal to the HUD Field Office for approval before making any such change. The proposal shall identify specifically the elements to be changed, and shall set forth the proposed amendment. Proposed amendments may be submitted with an annual request for program participation or at any other time during the program year.

(d) *Certifications.* As part of its application, the applicant shall certify that:

- (1) Except for States, the applicant's governing body has duly adopted or passed an official act, resolution, motion, or similar action authorizing the filing of the application, including all understandings and assurances contained in these certifications.
- (2) The LUHA possesses the legal authority to and will carry out the local urban homesteading program described in its approved application in accordance with this part, including the specific program requirements described in § 590.7(b).
- (3) The LUHA has:
 - (i) An adequate administrative organization capable of carrying out the program in a timely and cost effective manner;
 - (ii) Procedures for selecting and accepting property suitable for homesteading and rehabilitation as required by § 590.7(b)(1);
 - (iii) Procedures to assist in arranging, or for itself to undertake, rehabilitation financing for property conveyed to homesteaders, as required by § 590.7(b)(4).
 - (iv) Procedures for monitoring the homesteader agreement and for revoking a conditional conveyance upon material breach of the agreement, and

for selecting a successor homesteader as required by § 590.7(b)(6); and

(v) Procedures for conveying fee simple title to the residential property received from HUD, FmHA or VA without substantial consideration to the homesteader upon his or her full compliance with the agreement required in § 590.7(b)(7).

(4) The applicant or the LUHA has, before submission of the application:

(i) Developed a plan for a coordinated approach toward neighborhood improvement as required by § 590.7(a); and

(ii) Provided citizens an adequate opportunity to express preferences about the proposed location of the urban homesteading neighborhood or neighborhoods, and to comment on the plan for a coordinated approach toward neighborhood improvement.

(5) The applicant and LUHA will:

(i) Assure non-discrimination in the selection of homesteaders and that no eligible person is denied equal opportunity for housing, or excluded from equal participation in the homestead program, on the basis of race, creed, color, national origin, age, sex or handicapping condition and that it will comply with all requirements of Title VI of the Civil Rights Act of 1964; Executive Order 11063; Title VIII of the Civil Rights Act of 1968, as amended; section 504 of the Rehabilitation Act of 1973; the Age Discrimination Act of 1975, section 562 of the Housing and Community Development Act of 1987, and all applicable regulations issued under these authorities, in any activity in its local urban homestead program; and

(ii) Employ affirmative marketing procedures in the advertising of homesteading properties.

(6) The LUHA will comply with the lead-based paint procedures set forth in 24 CFR Part 35 for properties constructed or substantially rehabilitated prior to 1978.

(7) (i) The LUHA will submit any information which HUD requests for the purpose of assisting HUD in meeting its environmental responsibilities under 24 CFR Part 50 and the Coastal Barrier Resources Act of 1982.

(ii) The use of any funds provided under this part shall be subject to sections 102(a) and 202(a) of the Flood Disaster Protection Act of 1973 which respectively requires owners of assisted flood-prone property to purchase flood insurance and requires participation by the community in the National Flood Insurance Program.

(8) The applicant and its designated LUHA will give HUD and the

Comptroller General, through their authorized representatives, access to and the right to examine all records, books, papers, or documents related to the local urban homesteading program.

(9) The LUHA will maintain in writing and on file a description of its approved local urban homesteading program for public information and review.

§ 590.13 Standards for HUD review and approval of a local urban homesteading program.

(a) *Applications.* The appropriate HUD Field Office will review an applicant's initial application and the Field Office Manager will approve the proposed local urban homesteading program, unless the Field Office Manager determines that the program does not comply with the Act, this part or other applicable laws and regulations, or that it is plainly inappropriate or plainly inconsistent with available facts and data. If the program is disapproved, HUD shall notify the applicant in writing of the specific reasons.

(b) *Annual requests for program participation and program amendments.* The HUD Field Office will review any proposed application amendments and an applicant's annual request for program participation and will approve the applicant's submission unless the Field Office Manager determines that the proposal does not comply with the Act, this part, or other applicable laws and regulations, is plainly inappropriate or plainly inconsistent with available facts and data, or that the applicant's past performance does not meet the standards of § 590.29(a). HUD will notify the applicant in writing of the specific reasons for any disapproval. Program amendments will be considered approved as of the date of HUD's written notification of approval to the applicant. Annual requests for program participation will be considered approved as of the date of HUD's written notification to the applicant of approval, or notice of satisfaction of any approval conditions, whichever is later.

§ 590.15 Urban homesteading program participation agreement.

Upon approval of an application, HUD, the State or unit of general local government and the designated LUHA, if any, will execute an urban homesteading program participation agreement in the form prescribed by HUD. The agreement authorizes the LUHA to request HUD, VA, and FmHA to transfer properties to the LUHA under the provisions of this part, to the extent that funds available are sufficient to reimburse the Federal agency for the

properties. The agreement also obligates the LUHA to use the properties in accordance with the Act, this part, other applicable laws and regulations, and its approved application. However, the agreement does not obligate HUD, FmHA or VA to transfer a specific number of properties or particular properties identified in a program application, or a program amendment.

§ 590.17 Transfer of HUD-owned property.

(a) *Property disposition assistance.* HUD's property disposition activity shall support local urban homesteading programs as follows:

(1) After execution of its initial urban homesteading agreement, but before the initial selection of any HUD-owned property, a LUHA may request HUD to suspend its routine property disposition activity for up to 45 days for HUD-owned properties listed under § 590.9 and identified by the LUHA as located in a HUD-approved urban homesteading neighborhood. Based upon this request, HUD shall state in writing the starting and closing dates of the suspension of property disposition activity for all such identified HUD-owned properties. During this period, the LUHA may notify the HUD Field Office of specific HUD-owned properties that it intends to use in its local urban homesteading program under this part.

(2) With respect to properties coming into HUD's inventory later, the HUD Field Offices shall develop and implement property disposition plans for HUD-owned properties located in HUD-approved urban homesteading neighborhoods. These plans shall include the following procedures:

(i) As soon as feasible, but in no event later than ten days after HUD receives a notice of property transfer and application for insurance benefits for a HUD-owned property located in a HUD-approved urban homesteading neighborhood, the HUD Field Office shall notify the LUHA in writing of the potential availability of the property for homesteading.

(ii) The HUD Field Office shall not approve a property disposition program for a HUD-owned property until the LUHA has informed the Field Office, in writing, whether or not it intends to use the property in the local urban homesteading program, or until 21 days from the date of HUD's notice, whichever comes first. The Field Office Manager may extend the 21-day deadline if the Field Office Manager makes a written determination that notification by the LUHA within 21 days is impracticable.

(b) *Conditions for transferring HUD-owned properties.* Except as provided in

paragraph (c) of this section, HUD shall offer to transfer the title of a HUD-owned property to a LUHA, without payment, if:

(1) The property is located in a HUD-approved urban homesteading neighborhood;

(2) The LUHA has notified the HUD Field Office, within the applicable period specified in paragraph (a)(1) or (a)(2)(ii) of this section, that it intends to use the property in the local homesteading program;

(3) HUD has reserved section 810 funds in an amount sufficient to reimburse the applicable housing loan or mortgage insurance accounts for the estimated as-is fair market value of the property, or a negotiated lesser amount, plus closing costs as approved by HUD; and

(4) The HUD Field Office determines that the requested property is suitable for the approved local urban homesteading program, as follows:

(i) The agreed-upon transfer value of the property does not exceed \$25,000 (excluding closing costs) for a one-unit single family residence and an additional \$8,000 for each additional unit of two- to four-family residences; or

(ii) The Field Office Manager authorizes, on a property-by-property basis, the transfer of a HUD-owned property where the agreed-upon transfer value exceeds the preceding limitations if the benefit to the community expected from the expedited occupancy of the property, and the expected reduction of difficulties and delays (such as vandalism to the property) that HUD typically encounters in the disposition and sale of property, warrant the additional cost to the Federal government.

(c) *Exceptions.* (1) If a LUHA fails to accept title within 30 days of its acceptance of HUD's offer of a property for a specific price in accordance with paragraphs (b) (1)-(4) of this section, HUD may approve an alternative disposition plan for the property. The HUD Field Office Manager may extend, for a reasonable period of time, this 30-day deadline if the HUD Field Office Manager makes a written determination that acceptance of title by the LUHA within 30 days of property selection is impracticable. A reservation made under paragraph (b)(2) of this section may be cancelled by HUD if the closing for the applicable property does not occur within the time permitted under this paragraph (c)(1).

(2) A property otherwise eligible for transfer to a LUHA may be used to meet higher priority needs if the Field Office Manager makes a determination in

writing that the property is essential to meet an existing legal obligation such as:

- (i) Settlement of a sales warranty claim;
- (ii) Settlement of a claim under section 518 of the National Housing Act for critical structural defects in certain one- to four-family dwellings;
- (iii) Emergency housing needs (disaster housing and urgent public housing needs, such as providing shelter for the homeless);
- (iv) Reconveyance for noncompliance with 24 CFR 203.363;
- (v) Reconveyance pursuant to a Civil Frauds Act settlement;
- (vi) Reconveyance where the mortgage was never insured; and
- (vii) Other legal obligations as determined by HUD.

§ 590.18 Reimbursement to FmHA and VA.

The Secretary shall reimburse FmHA or VA from a LUHA's section 810 funds in an amount agreed to between the LUHA and FmHA or VA for FmHA- or VA-owned property plus approved closing costs, under the following conditions:

- (a) The property is located in a HUD-approved urban homesteading neighborhood;
- (b) HUD has reserved section 810 funds in an amount sufficient to support the agreed reimbursement, including closing costs;
- (c) The reimbursement (excluding closing costs) does not exceed the lesser of the amounts specified in paragraphs (c) (1) or (2) of this section;
 - (1)(i) \$25,000 for a one-unit single family residence, plus \$8,000 for each additional unit of a two- to four-family residence; or
 - (ii) An amount greater than the amount in paragraph (c)(1)(i) of this section, if authorized by the HUD Field Office Manager on a property-by-property basis, where the benefit to the community expected from the expedited occupancy of the property, and the expected reduction of difficulties and delays (such as vandalism to the property) that HUD typically encounters in the disposition and sale of similar property, warrant the additional cost to the Federal government; or
- (2) The amount certified by FmHA or VA to be a fair value for the property based on the lesser of the market value or the amount of FmHA's or VA's claim plus the expenses connected with Federal ownership; and
- (d) The property has been conveyed to a LUHA for use in a HUD-approved local urban homesteading program. The closing shall occur not longer than 30 days after the reservation is made under

paragraph (b) of this section, and the reservation may be cancelled by HUD if it does not.

§ 590.19 Use of section 810 funds.

Section 810 funds may be used to reimburse HUD, VA or FmHA for federally-owned properties. Section 810 funds may not be used to reimburse LUHAs for administrative costs, nor may they be used to acquire property other than through reimbursement for federally-owned property. Participants receiving Community Development Block Grant (CDBG) funds may charge eligible administrative expenses incurred in operating their urban homesteading programs to their otherwise available CDBG administrative funds, provided such administrative expenditures would satisfy other Title I requirements.

§ 590.21 Reservation of funds.

After execution of the applicant's urban homesteading program participation agreement during the first program year, and thereafter following approval of the applicant's annual request for program participation, HUD will reserve funds to reimburse the FHA Fund, HUD's Rehabilitation Loan Fund, FmHA, and VA when specific properties are identified for transfer to the LUHA, as stated in § 590.17 or § 590.18. Funds will be reserved by HUD on a first-come, first-served basis subject to availability from the applicable field office subassignment, except that field offices may designate a temporary, minimum initial allocation of section 810 funds to be exclusively available for each participating LUHA for a period not to exceed 60 days from the date the LUHA is notified of such temporary allocation. During the term of the temporary allocation, all reservations made under § 590.17 or § 590.18 on behalf of the particular LUHA for specific properties shall be charged to the allocation. After the temporary allocation has been used, or has expired, the LUHA shall compete for reservations from the balance of the Field Office subassignment with other LUHAs in the Field Office jurisdiction. At any time during a fiscal year, HUD may decline making funds available when in HUD's judgment the LUHA's performance does not meet the standards set out in § 590.29(a) or when, due to market conditions in the area, there are an insufficient number (generally less than five) of affordable, federally-owned properties available to warrant continuation in accordance with § 590.7(a) and § 590.13.

§ 590.23 Program close-out.

(a) *Initiation of close-out.* This section prescribes procedures for program close-out when continuing a program is no longer feasible or where the beneficial results are not commensurate with the further expenditure of section 810 funds in a locality's designated urban homesteading neighborhoods. The LUHA will institute close-out procedures, in accordance with HUD instructions, when one or more of the following occurs:

(1) The LUHA determines that it does not have the capacity to continue administering the program in a timely and cost-effective manner;

(2) HUD terminates the LUHA's program because the LUHA's performance does not meet the standards specified in § 590.29(a); or

(3) HUD terminates the LUHA's program because the LUHA did not acquire any federally-owned properties in the previous two Federal fiscal years and because local market conditions demonstrate that an insufficient number of affordable, federally-owned properties is likely to be available for the next Federal fiscal year.

(b) Close-out may be subject to later audit in accordance with § 590.27(b).

(c) *Close-Out Conditions.* Upon completion of HUD close-out review, HUD will send the LUHA a letter of completion, which HUD may condition. Conditions may reflect unmet obligations, deadlines to meet them, and a statement of any required interim reporting procedures. In addition to any other conditions that may be specifically set forth in the letter of completion, the LUHA remains responsible after close-out to take whatever actions may be necessary to enforce the homesteader agreement and complete final fee simple conveyance to the homesteader or a successor homesteader, or to obtain alternative use approval from HUD under § 590.7(b)(8), for properties conveyed to the LUHA for homesteading prior to close-out. LUHAs are required to report to HUD on a quarterly basis until each property has been conveyed in fee simple title to the homesteader.

(d) *Monitoring of closed-out programs.* HUD shall monitor closed-out programs to determine compliance with any conditions imposed under paragraph (c) of this section, the certifications under § 590.11(d), the Act, this part and other applicable Federal laws and regulations until the LUHA transfers fee simple title to all federally-owned properties to the homesteader, or until HUD approves an alternative use and the LUHA implements it under § 590.7(c).

§ 590.25 Retention of records.

The LUHA shall maintain adequate financial records, property disposition documents, supporting documents, statistical records, and all other records pertinent to the local urban homesteading program until fee simple title has been conveyed to all homesteaders, generally a five-year period. The LUHA will also maintain current and accurate data on the race and ethnicity of program beneficiaries.

§ 590.27 Audit.

(a) *Access to records.* The Secretary, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to all books, accounts, records, reports, files, and other papers or property of LUHAs pertaining to funds or property transferred under this part, for the purpose of making surveys, audits, examinations, excerpts, and transcripts.

(b) *Audit.* The LUHA's financial management system shall provide for audits in accordance with 24 CFR Part 44.

§ 590.29 HUD review of LUHA performance.

(a) HUD shall review the performance of each LUHA that has an urban homesteading program participation agreement at least once each Federal fiscal year to determine whether:

(1) The program complies with the urban homesteading program participation agreement and certifications, the Act, this part, and other applicable Federal laws and regulations;

(2) The LUHA is carrying out its program substantially as approved by HUD;

(3) The federally-owned properties the LUHA selects are suitable for homesteading and rehabilitation;

(4) The LUHA is making reasonable progress in moving properties through the stages of the homesteading process, including acquisition, homesteader selection, conditional conveyance, rehabilitation, and final conveyance, and is not making an unreasonable number of requests for extension of the time periods specified in § 590.17 (a)(2)(ii) and (c)(1);

(5) The improvements in neighborhood public facilities and services provided for in the coordinated approach toward neighborhood improvement are occurring on a timely basis; and

(6) The LUHA has a continuing administrative and legal capacity to carry out the approved program in a cost-effective and timely manner.

(b) In reviewing a LUHA's performance, HUD will consider all available evidence, which may include, but need not be limited to, the following:

(1) Records maintained by the LUHA;

(2) Results of HUD's monitoring of the LUHA's performance;

(3) Audit reports, whether conducted by the LUHA or by HUD auditors;

(4) Records of comments and complaints by citizens and organizations; and

(5) Litigation history.

(c) LUHAs shall supply data and make available records necessary for HUD's annual evaluation of the LUHA's local urban homesteading program.

§ 590.31 Corrective and remedial action.

When HUD determines on the basis of its review that the LUHA's performance does not meet the standards specified in § 590.29(a), HUD shall take one or more of the following corrective or remedial actions, as appropriate in the circumstances:

(a) Issue a letter of warning that advises the LUHA of the deficiency and puts it on notice that HUD will take more serious corrective and remedial action if the LUHA does not correct the deficiency, or if it is repeated;

(b) Advise the LUHA to suspend, discontinue or not incur costs for identified defective aspects of the local program;

(c) Condition the approval of the annual request for program participation if there is substantial evidence of a lack of progress, noncompliance, or a lack of continuing capacity. In such cases, HUD shall specify the reasons for the conditional approval and the actions necessary to remove the conditions;

(d) In cases of continued substantial noncompliance, terminate the urban homesteading program participation agreement, close out the program and advise the LUHA of the reasons for such action; or

(e) Where HUD determines that a LUHA has, contrary to its obligations under § 590.7(b), converted a property received under this part to its own use, failed to adequately preserve and protect the property, failed to timely secure a homesteader for the property, or received excessive consideration for conveyance of the property, HUD may direct the LUHA to repay to HUD either the amount of compensation HUD finds that the LUHA has received for the property or the amount of section 810 funds expended for the property, as HUD determines appropriate.

Dated: May 23, 1989.

Audrey E. Scott,

General Deputy, Assistant Secretary for Community Planning and Development.

[FR Doc. 89-13176 Filed 6-1-89; 8:45 am]

BILLING CODE 4210-29-M

INSTRUCTIONS FOR THE SF 424

This is a standard form used by applicants as a required facesheet for preapplications and applications submitted for Federal assistance. It will be used by Federal agencies to obtain applicant certification that States which have established a review and comment procedure in response to Executive Order 12372 and have selected the program to be included in their process, have been given an opportunity to review the applicant's submission.

- | Item: | Entry: | Item: | Entry: |
|-------|--|-------|--|
| 1. | Self-explanatory. | 12. | List only the largest political entities affected (e.g., State, counties, cities). |
| 2. | Date application submitted to Federal agency (or State if applicable) & applicant's control number (if applicable). | 13. | Self-explanatory. |
| 3. | State use only (if applicable). | 14. | List the applicant's Congressional District and any District(s) affected by the program or project. |
| 4. | If this application is to continue or revise an existing award, enter present Federal identifier number. If for a new project, leave blank. | 15. | Amount requested or to be contributed during the first funding/budget period by each contributor. Value of in-kind contributions should be included on appropriate lines as applicable. If the action will result in a dollar change to an existing award, indicate <u>only</u> the amount of the change. For decreases, enclose the amounts in parentheses. If both basic and supplemental amounts are included, show breakdown on an attached sheet. For multiple program funding, use totals and show breakdown using same categories as item 15. |
| 5. | Legal name of applicant, name of primary organizational unit which will undertake the assistance activity, complete address of the applicant, and name and telephone number of the person to contact on matters related to this application. | 16. | Applicants should contact the State Single Point of Contact (SPOC) for Federal Executive Order 12372 to determine whether the application is subject to the State intergovernmental review process. |
| 6. | Enter Employer Identification Number (EIN) as assigned by the Internal Revenue Service. | 17. | This question applies to the applicant organization, not the person who signs as the authorized representative. Categories of debt include delinquent audit disallowances, loans and taxes. |
| 7. | Enter the appropriate letter in the space provided. | 18. | To be signed by the authorized representative of the applicant. A copy of the governing body's authorization for you to sign this application as official representative must be on file in the applicant's office. (Certain Federal agencies may require that this authorization be submitted as part of the application.) |
| 8. | Check appropriate box and enter appropriate letter(s) in the space(s) provided:
— "New" means a new assistance award.
— "Continuation" means an extension for an additional funding/budget period for a project with a projected completion date.
— "Revision" means any change in the Federal Government's financial obligation or contingent liability from an existing obligation. | | |
| 9. | Name of Federal agency from which assistance is being requested with this application. | | |
| 10. | Use the Catalog of Federal Domestic Assistance number and title of the program under which assistance is requested. | | |
| 11. | Enter a brief descriptive title of the project. If more than one program is involved, you should append an explanation on a separate sheet. If appropriate (e.g., construction or real property projects), attach a map showing project location. For preapplications, use a separate sheet to provide a summary description of this project. | | |

Urban Homesteading Program Certifications

U.S. Department of Housing
and Urban Development
Office of Community Planning and
Development



As part of its application, the applicant hereby certifies that:

(1) Except for States, the applicant's governing body has duly adopted or passed an official act, resolution, motion, or similar action authorizing the filing of the application, including all understandings and assurances contained in these certifications.

(2) The LUHA identified in the application (whether it is the applicant itself or a separate public body or qualified community organization) possesses the legal authority to and will carry out the local urban homesteading program described in its approved application in accordance with 24 CFR Part 590, including the specific program requirements described in § 590.7(b).

(3) The LUHA has:

- (i) An adequate administrative organization capable of carrying out the program in a timely and cost effective manner;
- (ii) Procedures for selecting and accepting property suitable for homesteading and rehabilitation as required by §590.7(b)(1);
- (iii) Procedures to assist in arranging, or for itself to undertake, rehabilitation financing for property conveyed to homesteaders, as required by §590.7(b)(4);
- (iv) Procedures for monitoring the homesteader agreement and for revoking a conditional conveyance upon material breach of the agreement, and for selecting a successor homesteader as required by § 590.7(b)(6); and
- (v) Procedures for conveying fee simple title to the residential property received from HUD, FmHA or VA without substantial consideration to the homesteader upon his or her full compliance with the agreement required in § 590.7(b)(7).

(4) The applicant or the LUHA has, before submission of the application:

- (i) Developed a plan for a coordinated approach toward neighborhood improvement as required by § 590.7(a); and
- (ii) Provided citizens an adequate opportunity to express preferences about the proposed location of the urban homesteading neighborhood or neighborhoods, and to comment on the plan for a coordinated approach toward neighborhood improvement.

(5) The applicant and the LUHA will:

(i) Assure non-discrimination in the selection of homesteaders and that no eligible person is denied equal opportunity for housing, or excluded from equal participation in the homestead program, on the basis of race, creed, color, national origin, age, sex, or handicapping condition and that it will comply with all requirements of Title VI of the Civil Rights Act of 1964; Executive Order 11063; Title VIII of the Civil Rights Act of 1968, as amended; Section 504 of the Rehabilitation Act of 1973; the Age Discrimination Act of 1975, Section 562 of the Housing and Community Development Act of 1987, and all applicable regulations issued under these authorities, in any activity in its local urban homestead program; and

(ii) Employ affirmative marketing procedures in the advertising of homesteading properties.

(6) The LUHA will comply with the lead-based paint procedures set forth in 24 CFR Part 35 for properties constructed or substantially rehabilitated prior to 1978.

(7) (i) The LUHA will submit any information which HUD requests for the purpose of assisting HUD in meeting its environmental responsibilities under 24 CFR Part 50 and the Coastal Barrier Resources Act of 1982.

(ii) The use of any funds provided under this part shall be subject to Sections 102(a) and 202(a) of the Flood Disaster Protection Act of 1973 which respectively requires owners of assisted flood-prone property to purchase flood insurance and requires participation by the community in the National Flood Insurance Program.

(8) The applicant and its designated LUHA will give HUD and the Comptroller General, through their authorized representatives, access to and the right to examine all records, books, papers, or documents related to the local urban homesteading program.

(9) The LUHA will maintain in writing and on file a description of its approved local urban homesteading program for public information and review.

Name of State or Unit of General Local Government

Signature of Chief Executive Officer
of State or Unit of General Local Government

Date

X

Name of Designated LUHA (If different from Applicant)

Signature of Chief Executive Officer of Designated LUHA

Date

X

Urban Homesteading Program Participation Agreement

Section 810

U.S. Department of Housing
and Urban Development
Office of Community Planning and Development



This Urban Homesteading Program Participation Agreement is executed for the purpose of authorizing

(referred to in this Agreement as the "Locality") to carry out a Local Urban Homesteading Program within the Locality as approved by the Secretary of Housing and Urban Development (referred to in this Agreement as the "Secretary") pursuant to Section 810 of the Housing and Community Development Act of 1974, as amended (referred to in this Agreement as "Section 810").

The Locality, any independent public agency or qualified community organization (as defined in 24 CFR 590.7) designated pursuant to paragraph 1.a, and the Secretary agree that the approved Local Urban Homesteading Program shall be undertaken on the following terms and conditions:

1. Definition of "Local Urban Homesteading Agency."

a. As used in this Agreement, the term "Local Urban Homesteading Agency" shall mean the Locality, except that if an independent public agency or qualified community organization has been designated below, and has executed this Agreement. "Local Urban Homesteading Agency" shall refer to that agency or organization to the extent that such agency or organization is responsible for performing activities to carry out the Local Urban Homesteading Program, including the acceptance or conveyance of properties.

b. As described in its approved application, the Locality shall carry out its approved Local Urban Homesteading Program within the geographic area of the Locality by and through the following independent public agency or qualified community organization:

Name of designated Agency or Organization, if any:

Address:

2. Legal Authority.

a. The Local Urban Homesteading Agency represents and warrants that it has the authority (i) to accept the transfer, without payment, of Federally-owned property for homesteading purposes, (ii) to convey such property to homesteaders without any substantial consideration, (iii) to assist in or to undertake the rehabilitation financing for such property, and (iv) otherwise to accept the obligations of this Agreement.

b. If an independent public agency or qualified community organization is designated to carry out the Locality's Urban Homesteading Program in paragraph 1.b., the Locality agrees to take all actions necessary to cause said agency or organization to act within the scope of its authority and to comply with the terms of this Agreement.

3. Reservation of Funds, Reimbursement for Properties Conveyed.

To the extent and in the manner authorized by 24 CFR 590.21, the Secretary will reserve Section 810 funds (appropriation number 86X0171) for specific properties requested by the Local Urban Homesteading Agency in accordance with this Agreement. After each specific property requested by the Local Urban Homesteading Agency is conveyed to the Local Urban Homesteading Agency by

the applicable Federal Agency, the Secretary will reimburse the agency therefore in the amount agreed upon for each such property in accordance with 24 CFR 590.17 and 590.18, which amount(s) shall not exceed the amount of the applicable reservation.

4. Conduct of Program.

a. The Locality and its Local Urban Homesteading Agency agree to operate the Local Urban Homesteading Program in compliance with the following authorities and documents (as amended from time to time) which are hereby incorporated by reference in, and made a part of, this Agreement:

- (1) Section 810;
- (2) the Urban Homesteading Regulations, set forth in 24 CFR Part 590;
- (3) the Urban Homesteading Handbook (HUD Handbook 6400.1 Rev. 1, and any applicable HUD Notices; and
- (4) their urban homesteading application as approved by the Secretary, including assurances, certifications, legal documents, maps, schedules, timetables and all other submissions made with respect thereto.

b. In the event of any conflict or inconsistency, the Handbook shall control the application, and the Regulations shall control the Handbook and the application, and Section 810 shall control the Regulations, the Handbook and the application.

5. Local Urban Homesteading Agency's Obligations with Respect to Property Conveyed.

The Local Urban Homesteading Agency specifically agrees to inspect any Federally-owned property prior to taking title thereto and to secure and manage such properties after acquisition. By receiving and accepting the deed to such property from the Secretary, the Secretary of Agriculture, or the Secretary of Veterans Affairs pursuant to this Agreement, the Local Urban Homesteading Agency agrees to assume liability for injury and damage to persons or property by reason of a defect in the dwelling, its equipment or appurtenances, or for any other reason related to ownership of the property conveyed. The Local Urban Homesteading Agency agrees to secure one or more homesteaders, as necessary to comply with the obligations of the homesteader agreement required by Section 810, for any Federally-owned property conveyed to it under this Agreement, unless expressly released from this obligation by the Secretary.

6. Breach of Locality.

In the event the Local Urban Homesteading Agency breaches any provision of this Agreement, HUD shall have the right, in its discretion under 24 CFR § 590.21 and this Agreement, to decline making Section 810 funds available pursuant to paragraph 3 above, and to decline to make available for obligation any further Section 312 rehabilitation loan funds in connection with this Agreement. In addition, in the event of any such breach, HUD has the right to take any of the corrective or remedial actions specified in 24 CFR § 590.31, including cancellation (termination) of this Agreement. Any such corrective or remedial action shall be effective upon the date specified by HUD.

7. Term of Agreement and Amendments.

This Agreement shall remain in effect until the Local Urban Homesteading Program is closed-out under the applicable requirements of 24 CFR Part 590, particularly §§ 590.23 and 590.31. However, the Local Urban Homesteading Agency's obligations under this Agree-

ment with respect to conditional conveyance, monitoring, and final conveyance to homesteaders, or HUD approval of an alternative use of Federally-owned properties, as well as any specific conditions of close-out imposed by HUD, shall continue after close-out of this Agreement. This Agreement may not be amended except by a document in writing signed by all necessary parties.

8. Lead-Based Paint Hazards.

The construction or rehabilitation of residential structures conveyed to the Local Urban Homesteading Agency under this Agreement is subject to the HUD Lead-Based Paint Regulations, 24 CFR Part 35. Upon conveyance of a property to the Local Urban Homesteading Agency, the Local Urban Homesteading Agency specifically agrees to inspect the property for immediate lead-based paint hazards pursuant to 24 CFR Part 35 and shall maintain a certificate in the property file evidencing said inspection. The Local Urban Homesteading Agency agrees to assure that any identified immediate lead-based paint hazards are eliminated, either through its own resources or through the repair program to be undertaken by the homesteader. The Local Urban Homesteading Agency agrees to include appropriate provisions for inspection and elimination of immediate hazards, and for enforcement of those provisions, in its agreements with homesteaders in accordance with 24 CFR Part 35 and shall notify homesteaders that 24 CFR Part 35 prohibits the use of lead-based paint on all applicable surfaces. Finally, the Local Urban Homesteading Agency agrees to provide notification of the hazards of lead-based paint poisoning to potential homesteaders in residential units constructed prior to 1978.

9. Housing Discrimination Prohibited.

The Local Urban Homesteading Agency specifically agrees not to discriminate on the basis of race, creed, color, sex or national origin in the sale, lease or rental or in the use or occupancy of the property conveyed pursuant to this Agreement, and to comply with the requirements of Title VI of the Civil Rights Act of 1964, Executive Order 11063, and Title VIII of the Civil Rights Act of 1968, as amended, Section 562 of the Housing and Community Development Act of 1987, and Federal regulations implementing those requirements. In the sale, lease or other transfer of land acquired, cleared or improved under this Agreement, the Local Urban Homesteading Agency agrees to cause or require a covenant running with the land to be inserted in the deed or lease for such transfer, prohibiting discrimination upon the basis of race, creed, color, sex or national origin, in the sale, lease or rental, or in the use of occupancy of such land or any improvements erected or to be erected thereon, and providing that the Local Urban homesteading Agency and the United States are beneficiaries of and entitled to enforce such covenant. The Local Urban Homesteading Agency, in undertaking this obligation to carry out the Local Urban Homesteading Program, agrees to

take such measures as are necessary to enforce such covenants and will not itself so discriminate.

10. Discrimination on the Basis of Handicap or Age Prohibited.

In accordance with Section 504 of the Rehabilitation Act of 1973 and the Age Discrimination Act of 1975, the Local Urban Homesteading Agency shall not exclude from participation in, or deny the benefits of, the Local Urban Homesteading Program to any otherwise qualified person solely by reason of his or her handicap or by reason of his or her age.

11. HUD Access to Documents and Properties.

a. The Local Urban Homesteading Agency agrees to provide the Secretary or his or her designee with access to all relevant records, data or information, including, where feasible, access to properties transferred under this Agreement, in order to permit HUD to evaluate the Local Urban Homesteading Program and to enforce this Agreement, including paragraph 4.

b. In addition to the foregoing, the Local Urban Homesteading Agency specifically agrees to provide access to the Secretary and the Comptroller General of the United States or their representatives as required by 24 CFR § 590.27.

12. Interests of Certain Federal Officials.

No member of or Delegate to the Congress of the United States, and no resident Commissioner, shall be admitted to any share or part of this Agreement or to any benefit to arise from the same, including any Federally-owned property conveyed pursuant to this Agreement. Standards of conduct for HUD employees are governed by 24 CFR Part O.

13. Interests of Local Public Officials, Employees, Contractors, or Agents.

a. The Local Urban Homesteading Agency agrees to comply with the procedures regarding conflicts of interest of its governing body, officers, and employees which are set forth in the Handbook.

b. In all its contracts or agreements with respect to the Local Urban Homesteading Program, the Local Urban Homesteading Agency agrees to include provisions which are adequate to prohibit conflicts of interest by its contractors or agents, or by the employees or agents thereof.

14. Effective Date.

This Agreement shall be effective on the date executed on behalf of the Secretary, after execution on behalf of the Locality and the independent public agency or qualified community organization designated in paragraph 1.a, if any.

Secretary of Housing and Urban Development:

By: _____
Regional Administrator or Field Office Manager, or CPD Director

Date: _____

Locality:

By: _____
Chief Executive Officer

Date: _____

Designated Independent Public Agency or Qualified Community Organization:

By: _____
Chief Executive Officer

Date: _____

HUD Notification
The Urban Homesteading Program

U.S. Department of Housing and Urban Development
Office of Legislation and Congressional Relations



1. Project Number _____	2. Unit of Government _____
-------------------------	-----------------------------

3. In Fiscal Year _____, The Department of Housing and Urban Development (approved an Urban Homesteading Program in _____ or approved continuation of an Urban Homesteading Program in _____). HUD provided \$ _____ in Section 810 funds to reimburse the (Federal Housing Administration's mortgage insurance fund, the Secretary of Agriculture and/or the Secretary of Veterans Affairs) for federally-owned single-family houses. These properties (were or will be) transferred to homesteaders in (indicate designated neighborhoods within the UOG.)

The federally-funded Urban Homesteading Program is a neighborhood preservation and revitalization tool which encourages public and private investment in declining urban areas. In addition, it provides homeownership opportunities in these areas by repairing vacant, abandoned housing.

Vacant, unrepaired one- to four-family federally-owned properties are transferred to States and units of general local government that develop homesteading programs in accordance with HUD's requirements. The localities' programs must include an equitable procedure for selecting homesteaders that gives a priority to lower income families, a plan to assist the homesteader in securing rehabilitation financing and the upgrading of community services and facilities in the urban homesteading neighborhood.

The homesteader is required to make repairs to bring the property up to local code standards within a specified period of time not to exceed 3 years. The homesteader must maintain and occupy the property for at least 5 years consecutively. When the repair, maintenance and occupancy requirements are met, the homesteader receives full and clear title to the property.

4. Major activities that support the Urban Homesteading Program in _____ include (see instructions on reverse):

For further information:

Name of Chief Executive Officer _____	Address _____
Telephone Number _____	
Name of Urban Homesteading Coordinator (Primary Contact Person) _____	Address _____
Telephone Number _____	

Members of Congress	Party	State/CD	Mail	Telephone Contact	Date
Senator					
Congressman					
Field Office Person Familiar with the Program _____				Telephone Number _____	

Purpose:

To announce the approval and funding of States and units of general local government by HUD to administer Local Urban Homesteading Programs.

Instructions:

Instead of announcing programs at the time of initial approval or approval of a LUHA's annual request to continue participation, announcements are to take place at the end of the fiscal year upon the completion of all acquisitions by a Local Urban Homesteading Agency (LUHA). Due to the first-come, first-served method of funding for acquisition of individual properties, announcements of full program activity will be made to reflect the total number and cost of properties acquired for the fiscal year.

The Field Office Urban Homesteading Coordinator shall complete a Form HUD-40052 for each LUHA that acquired properties. All HUD-40052's shall be batched and sent to the Director, Urban Homesteading Program, Headquarters, no later than the third working day of the new fiscal year. A copy shall be sent to the Regional Director, CPD. The Director, Urban Homesteading Program, will batch HUD-40052's by Region and send them to the Assistant Secretary for Legislation and Congressional Relations.

No individual HUD-40052 is to be faxed directly to LCR.

1. **Project Number.** Enter the project number (i.e., H89UH420503ALG).
 2. **Unit of Government.** Enter the name of the state or unit of general local government that submitted the application (i.e., Denver, Colorado or State of Ohio).
 3. Mark through any phrases in parentheses in the first paragraph that do not describe the funding activity of the LUHA, and insert the appropriate unit of government (UOG) name and designated areas/neighborhoods where homesteading properties were acquired.
 4. The major activities shall include a brief description of the accomplishments for each neighborhood selected. This may include the type of financing available for homesteading and other community development activity (public or private) that has occurred or is on-going in the neighborhood in addition to the homesteading program.
-

Instructions for Updating the Quarterly Property Report and the Quarterly Progress Report

U.S. Department of Housing
and Urban Development
Community Planning and Development



Urban Homesteading Program Management Information System

OMB Approval No. 2506-0042 (exp. 6-30-89)

The Urban Homesteading Program Management Information System (UHPMIS) operates on a quarterly schedule. LUHAs submit property addition data to HUD on the Homesteading Property Addition, form HUD-40063. The data are put into the automated UHPMIS which generates two reports, the Quarterly Property Report and the Quarterly Progress Report. Together, these two reports track each property during the homesteading process. HUD sends these two reports to LUHAs according to the schedule on this page.

The LUHAs must update the two computer-generated reports quarterly, marking directly on the print-outs to show all changes in the status of each property. Show when actions have occurred by including dates, dollar amounts, etc. Projected actions should not be entered.

Hand-write all changes in red directly on the computer-generated report. To delete a data entry, mark an "X" after the entry, e.g., 010185 X. The entry will be removed from the next report. To change a data entry, cross through the entry and enter the change directly above the crossed-out entry, 010185

e.g., ~~020185~~. If there are no changes or updates, do not send the computer reports back to HUD.

Use a Property Addition form (HUD-40063) only to add any newly acquired properties, or to add any properties not previously reported.

Send the amended Quarterly Reports to:
Director, Urban Homesteading Program
Office of Urban Rehabilitation, CPD
Department of HUD, Room 7174
451 7th Street, S.W.
Washington, D.C. 20410-7000
Attn: UHPMIS

Reporting Schedule:

HUD sends to LUHAs & HUD Field Offices:	LUHAs return to HUD Headquarters
Quarterly Progress and Property Reports	Property Addition forms and updated Quarterly Progress and Property Reports
December 15	January 31
March 15	April 30
June 15	July 31
September 15	October 31*

The October 31 reports must reflect all activity through the end of HUD's Fiscal Year (September 30) for purposes of HUD's Annual Report to Congress.

Explanation of the Columns in the Quarterly Property Report

1. Case Number. The case number originally assigned by the source agency. The case number can be found on the closing documents, e.g., HUD-9589 for FHA properties. (See case number formats on the Instructions for the Property Addition form, HUD-40063.)

2. Source. One of the four sources from which the property is obtained: FHA, VA, FmHA: Any property acquired by the LUHA from the Federal Housing Administration, Veterans Administration or the Farmers Home Administration regardless of the source(s) of funds used to acquire the property.

Local: Any non-Federal property acquired with Section 810 funds by a LUHA participating in the Local Property Urban Homesteading Demonstration or any subsequent program.

3. Address.

a) **Street Number** - 10 alpha/numeric characters or less including spaces.

b) **St. Name** - 25 alpha/numeric characters or less including spaces.

c) **City** - 20 alpha characters or less including spaces.

d) **State** - 2 characters (use standard State alpha abbreviation in code listing on page 5).

e) **Zip Code** - 9 numeric characters. Do not include spaces or dashes.

4. C/D. Indicate with a "C" if there is a change to the property data. Indicate with a "D" if the property is to be deleted from the Management Information System.

5. No. of DU. The number of dwelling units must be numeric, e.g., 1,2, etc.

6. Offering Value. The offering value of a property, i.e., the as-is value before repairs have been made, plus closing costs. **

7. First Offering Date. The date the property was first offered to the LUHA. Use format mmddyy.*

8. LUHA Accept Date. The date the LUHA notified HUD, VA or FmHA or the owner of the local property that the LUHA wants to acquire the property. Use format MMDDYY.*

9. Reserve Sec. 810 Value. The amount of Section 810 money reserved for acquisition of the property. This is the amount shown on the "Verification of Fund Availability" (Form HUD-40050), which must include closing costs. **

10. LUHA Acq. Date. Date of settlement (closing) when the property is acquired and title is transferred to the LUHA. Use format MMDDYY.*

11. Obligations Sec. 810 Value. The actual amount of Section 810 money obligated for the property at settlement (closing). **

12. Obligations Non-810 Value. The actual amount of all monies other than Sec. 810 (other public, private, etc.) obligated at settlement (closing). **

13. Total Value. This value will be calculated by the computer.

14. Census Tract. A small geographic statistical area defined by local "census statistical area committees" in cooperation with the Census Bureau. A census tract covers a population of approximately 4,000 inhabitants. The census tract number consists of four basic digits, and may include a decimal and two additional digits, e.g., 2918.77.

15. Enumeration District. A geographic area defined by the Census Bureau for the purpose of collecting 1980 data on a nationwide basis. The size of an enumeration district (ED) varies and is unique to counties or non-metropolitan areas. (These areas do not have block numbers.) The ED is a five-character number which may or may not have an alpha suffix or prefix (e.g., 00021, 0023A, or V1234).

16. Block Number. A three-digit code unique within the census tract or block numbering area (e.g., 214). This number defines the smallest geographic area for which census data are collected.

17. Totals. Totals at the end of the Report will be calculated by the computer. The Fiscal Year Sec. 810 Funding and Remaining Balance will be input by HUD's Program Accounting System (PAS). The Remaining Balance is calculated against actual Sec. 810 obligations. (See No. 11 above.)

The total properties reflect the number of properties acquired in previous years and for the current fiscal year that are on the report. It does not include all properties that a LUHA has acquired cumulatively that have been transferred fee simple and subsequently removed from the report.

The total dollar amounts for previous fiscal years reflect the cost of properties shown on the report prior to the current fiscal year. It does not include properties already transferred fee simple and removed from the report.

* (mm= month, dd= day, yy=year). The date must be a valid date consisting of six characters, e.g., 092488. An invalid date would be 09/88 or 09/00/88.

** Use dollars and cents, e.g., \$10,280.00.

SAMPLE

C45C8CA/880922 FURM: P1 DEPT OF HOUSING & URBAN DEVELOPMENT PAGE 15
 REGION: 04 URBAN HOMESTEADING REPORT RUN DATE: 11/28/88
 FIELD OFFICE: 29 QUARTERLY PROPERTY REPORT IN FY 1988 LUMA LAST UPDATE: / /
 LUMA: ST. PETERSBURG
 PROJECT: H-88-UH-12-00035TP FY PAS SEC. 810 FUNDING
 88 \$567000.00

CASE NUMBER / SOURCE / ADDRESS	NO. OFFERING OF D.U.	DATE	OFFERING VALUE	LUMA RESERVE ACCT DATE	RESERVE ACCT DATE	LUMA ACQ DATE	SEC. 810 VALUE	MON-810 VALUE	TOTAL VALUE
093-192334-203									
FHA	1	03/26/87	\$17,000.00	03/27/87		06/18/87	\$17,000.00	\$17,000.00	\$17,000.00
1766									
ST PETERSBURG									
093-210927-203									
FHA	1	03/27/87	\$17,000.00	06/18/87			\$17,000.00	\$17,000.00	\$17,000.00
1816									
ST PETERSBURG									
093-228732-203									
FHA	1	02/27/87	\$19,000.00	02/27/87			\$19,000.00	\$19,000.00	\$19,000.00
4745									
ST PETERSBURG									
093-228301-203									
FHA	1	04/27/87	\$16,250.00	05/15/87		08/20/87	\$16,250.00	\$16,250.00	\$16,250.00
4700									
ST PETERSBURG									
TOTAL PROPERTIES: 38							\$1181,680.00	\$1181,680.00	\$1181,680.00
							\$1,000.00	\$1,000.00	\$1,000.00
							\$56,000.00	\$56,000.00	\$56,000.00

NOTE: A "C" must be entered for change for any modification or updating of a property.
 NOTE: A "D" indicates that the property is to be deleted from the URMIS.
 NOTE: All changes must be handwritten and in red ink.

Explanation of the Columns in the Quarterly Progress Report

1. **Case Number.** Same as in the Quarterly Property Report.
2. **Source.** Same as in the Quarterly Property Report.
3. **Address.** Same as in the Quarterly Property Report.
4. **R/E.** Identify the racial/ethnic category of the homesteader (head of household) with a two digit numerical code.
 - 10 White (non-Hispanic)
 - 20 Black (non-Hispanic)
 - 30 American Indian or Alaskan Native
 - 40 Hispanic (A person of Mexican, Puerto Rican, Cuban, or other Spanish culture or origin)
 - 50 Asian or Pacific Islander (A person of Chinese, Filipino, Hawaiian, Japanese, Korean, Micronesian, Polynesian culture or origin)
5. **No. of D.U.** Same as in the Quarterly Property Report.
6. **LUHA Acq. Date.** Date of settlement (closing) when the property is acquired and title is transferred to the LUHA. Use mmddyy format.* **Important: A property will not appear on this report unless this date is entered previously on the Property Addition form or Quarterly Property Report.**
7. **Cond. Convey Date.** The date the property was transferred initially to the homesteader, conditioned on rehabilitation and occupancy for five years. Use format mmddyy.* The conditional conveyance may be in the form of a lease, contract for sale, Deed of Trust with conditions, etc.
8. **Rehab. Start Date.** The date on which rehabilitation on the property began. Use format mmddyy*
9. **Homestead Occup. Date.** The date of actual occupancy by the homesteader. This may differ from the date of the occupancy permit. Use format mmddyy.*
10. **Rehab. Comp. Date.** The date on which rehabilitation of the property is completed, i.e., date of final inspection. Use format mmddyy.*
11. **Final Conveyance Date.** The date on which the property is conveyed fee simple to the homesteader. The homesteader has met all obligations of the Homesteader Agreement, and the LUHA no longer has a reversionary interest in the property. Use format mmddyy.*
(The **Final Conveyance Date** must be at least three years from the date identified in No. 9 above for properties transferred to homesteaders

prior to December 30, 1983. The term must be at least five years for properties transferred on or after December 31, 1983. At the beginning of the new fiscal year, any property for which the final conveyance date has been reported will be removed from the system. HUD will no longer track properties that have been transferred fee simple to homesteaders.)

12. Alternate Use. Approval by the HUD Field Office Manager for a use other than homesteading. Brief description of use, e.g., demolished land sold, use for homeless shelter, day care, etc. **This field may be used also, to indicate that HUD's Section 810 account was reimbursed for a property.** (Limit to 40 characters.)

13. Special Remarks. Briefly provide information on the status of a property if circumstances have prevented it from being homesteaded in a timely manner or if it has been re-homesteaded. (Limit to 40 characters.)

14. Inc. Income Group Code representing the income of the homesteading family as a percentage of the median income. "Income" here refers to adjusted family income determined on the same basis as in the Section 8 program.

Codes (use one character)

- A = 50% and below of median income
- B = 51 - 65%
- C = 66 - 80%
- D = 81 - 100%
- E = above 100%

15. Rehabilitation Cost - Sec. 312. The amount of Section 312 funds obligated for the rehabilitation of the property. **

16. Rehabilitation Cost - Other Pub Funds. The amount of non-Section 312 public funds obligated for the rehabilitation of the property (e.g., CDBG, State Funds, Bond Issues). **

17. Rehabilitation Cost - Private. The amount of private funds obligated for the rehabilitation of the property (e.g., private lender, personal savings, private loans leveraged with public funds). **

18. Rehabilitation Cost - Total. The total will be computer calculated.

19. Totals: At the end of the report, the number of properties and rehabilitation costs are calculated by the computer, and reflect all properties on the report. (Properties conveyed fee simple prior to the current fiscal year have been removed from the report and are not included in these totals.)

* (mm= month , dd= day, yy=year). The date must be a valid date consisting of six characters, e.g., 092488. An invalid date would be 09/88 or 09/00/88.

** Use dollars and cents, e.g., \$10,280.00.

Public reporting burden for this collection of information is estimated to average 3.38 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Office of Information Policies and Systems, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600 and to the Office of Management and Budget, Paperwork Reduction Project (2506-0042), Washington, D.C. 20503.

C45CCCA/880922 FORM: C1 DEPT OF HOUSING & URBAN DEVELOPMENT PAGE 5
 REGION: 02 URBAN HOMESTEADING REPORT RUN DATE : 11/10/88
 FIELD OFFICE: 06 QUARTERLY PROGRESS REPORT LAST LUMA UPDATE: / /

LUMA: ROCHESTER, NY
 PROJECT: H-88-UH-36-0001ROC
 CASE NUMBER/ R NO LUMA CONO REHAB HOMESTEAD REHAB FINAL I
 SOURCE/ / OF ACQ CONVEY START OCCUP COMP CONVEY N
 ADDRESS E DU DATE DATE DATE DATE DATE C SEC 312 FUNDS PRIVATE TOTAL
 ***** REHABILITATION COST *****
 OTHER
 PUB
 FUNDS

372-051974-203 (this indicates the racial/ethnic data on the homesteader.)
 S10 1 02/16/84 06/08/84 06/09/84 08/02/84 11/15/85
 FHA 14 DEJONGE STREET ALTERNATE USE :
 ROCHESTER NY 14621 SPECIAL REMARKS:
 B (this indicates the homesteader's income range.)

372-104554-221
 FHA 10 1 02/16/84
 41 ROMA STREET ALTERNATE USE :
 ROCHESTER NY 14605 SPECIAL REMARKS:
 C
 (this indicates the property was not homesteaded due to unforeseen circumstances, and the P.O. approved the alternate use. The property will drop from the UHFMIS at the end of the current Fiscal Year.)

372-044242-203 (this indicates a change)
 VA 10 1 04/19/84 ~~10/05/85~~ 12/29/85
 209 BERLIN STREET ALTERNATE USE :
 ROCHESTER NY 14621 SPECIAL REMARKS:
 (this indicates the date will be deleted.)

PH-175588
 VA 10 1 04/01/83 ~~07/25/84~~ 10/15/86 03/107
 419 AVENUE D ALTERNATE USE :
 ROCHESTER NY 14621 SPECIAL REMARKS:
 (this explains the reason for the delay in homesteading the property.)
 breach of agreement -- re-homesteaded.

TOTAL PROPERTIES 22 PROJECT TOTALS .00 31,500.00 282,500.00 314,000.00

Note: All changes must be handwritten and in RED ink.

SAMPLE

SAMPLE

Standard Numerical Codes for Regional Offices, Field Offices and States and State Abbreviations

Region	Field Office	State	State Abbrev.*	
01 Boston	06 Boston	23 Maine	ME	
		25 Massachusetts	MA	
		33 New Hampshire	NH	
		44 Rhode Island	RI	
		50 Vermont	VT	
02 New York	26 Hartford	09 Connecticut	CT	
	06 Buffalo	36 New York**	NY	
	36 New York	36 New York**	NY	
	39 Newark	34 New Jersey	NJ	
	46 Caribbean	61 Canal Zone	PQ	
		72 Puerto Rico	RQ	
78 Virgin Islands		VI		
24 Maryland**		MD		
03 Philadelphia	06 Baltimore	10 Delaware	DE	
	26 Philadelphia	42 Pennsylvania**	PA	
		42 Pennsylvania**	PA	
	28 Pittsburgh	54 West Virginia	WV	
	36 Richmond	51 Virginia**	VA	
		39 Washington	11 District of Columbia	DC
24 Maryland**	MD			
51 Virginia**	VA			
04 Atlanta	06 Atlanta	13 Georgia	GA	
	09 Birmingham	01 Alabama	AL	
	16 Columbia	45 South Carolina	SC	
	19 Greensboro	37 North Carolina	NC	
	26 Jackson	28 Mississippi	MS	
	29 Jacksonville	12 Florida	FL	
	36 Louisville	21 Kentucky	KY	
	37 Knoxville	47 Tennessee	TN	
	05 Chicago	06 Chicago	17 Illinois	IL
16 Columbus		39 Ohio	OH	
28 Detroit		26 Michigan	MI	
36 Indianapolis		18 Indiana	IN	
39 Milwaukee		55 Wisconsin	WI	
46 Minneapolis/St. Paul	27 Minnesota	MN		
	06 Ft. Worth	16 Ft. Worth	35 New Mexico	NM
37 Little Rock		48 Texas**	TX	
		05 Arkansas	AR	
48 New Orleans		22 Louisiana	LA	
56 Oklahoma City		40 Oklahoma	OK	
59 San Antonio	48 Texas**	TX		
07 Kansas City	16 Kansas City	20 Kansas	KS	
	26 Omaha	29 Missouri**	MO	
		19 Iowa	IA	
	36 St. Louis	31 Nebraska	NE	
08 Denver	99 Denver	29 Missouri**	MO	
		08 Colorado	CO	
		30 Montana	MT	
		38 North Dakota	ND	
		46 South Dakota	SD	
		49 Utah	UT	
09 San Francisco	08 Honolulu	56 Wyoming	WY	
		15 Hawaii	HI	
		60 American Samoa	AQ	
		66 Guam	GQ	
		75 Pacific Trust Territories	TQ	
		16 Los Angeles	06 California**	CA
			06 California**	CA
		39 San Francisco	04 Arizona	AZ
10 Seattle	16 Portland	32 Nevada	NV	
		16 Idaho	ID	
		41 Oregon	OR	
		53 Washington**	WA	
		19 Seattle	53 Washington**	WA
02 Alaska	AK			

* The State Abbreviation must match the Federal Information Processing Standard (FIPS) Code.
** Indicates state is in multiple Field Offices.



Homesteading Property Addition A1

Urban Homesteading Program Management Information System (UHPMIS)

U.S. Department of Housing and Urban Development
Community Planning and Development

OMB Approval No. 2508-0042 (exp. 6/30/89)

Follow the instructions on the back of this form and type or print clearly. Due Dates: January 31, April 30, July 31, October 31.

The UHPMIS will complete this form for properties that it intends to acquire for the Urban Homesteading Program, or to add properties that have not been reported previously. Property Information is added to the UHPMIS with this form only. Send the completed form to the:

Director, Urban Homesteading Program
Washington, DC 20410-7000
attn: UHPMIS

1. Region 2. Field Office 3. Project Number (as assigned by the Field Office) 4. Name of the Person Preparing this Form: 5. Date

6. Case Number	7. Property Source	8. Address	9. No. of D.U.	10. Offering Value (\$ and c)	11. First Offering (MADDTY)	12. LHA Acct Date (MADDTY)	13. Reserve Value (\$ and c)	14. Non-RTD Value (\$ and c)
A		Street number: (up to 10 chars.) street name: (up to 25 chars.) City: (up to 20 chars.) State: 2P (2 chars.) no hyphen		15. Census Tract (8 digits) (18 Enumeration Dist. (8 chars.) 17. Block Number (3 digits)				
A		Street number: (up to 10 chars.) street name: (up to 25 chars.) City: (up to 20 chars.) State: 2P (2 chars.) no hyphen		15. Census Tract (8 digits) (18 Enumeration Dist. (8 chars.) 17. Block Number (3 digits)				
A		Street number: (up to 10 chars.) street name: (up to 25 chars.) City: (up to 20 chars.) State: 2P (2 chars.) no hyphen		15. Census Tract (8 digits) (18 Enumeration Dist. (8 chars.) 17. Block Number (3 digits)				
A		Street number: (up to 10 chars.) street name: (up to 25 chars.) City: (up to 20 chars.) State: 2P (2 chars.) no hyphen		15. Census Tract (8 digits) (18 Enumeration Dist. (8 chars.) 17. Block Number (3 digits)				
A		Street number: (up to 10 chars.) street name: (up to 25 chars.) City: (up to 20 chars.) State: 2P (2 chars.) no hyphen		15. Census Tract (8 digits) (18 Enumeration Dist. (8 chars.) 17. Block Number (3 digits)				
A		Street number: (up to 10 chars.) street name: (up to 25 chars.) City: (up to 20 chars.) State: 2P (2 chars.) no hyphen		15. Census Tract (8 digits) (18 Enumeration Dist. (8 chars.) 17. Block Number (3 digits)				
A		Street number: (up to 10 chars.) street name: (up to 25 chars.) City: (up to 20 chars.) State: 2P (2 chars.) no hyphen		15. Census Tract (8 digits) (18 Enumeration Dist. (8 chars.) 17. Block Number (3 digits)				

Instructions

1. Region. Enter the two digit code for your HUD Region (Acbit: numerals only, eg. 01, 02, etc.) Use HUD standard Region code on page 5 of HUD-4003A.
2. Field Office. Enter the two digit code for your HUD Field Office. Use HUD standard office code on page 5 of HUD-4003A.
3. Project. Enter the project number assigned to this project (locally) by the Field Office. This number is assigned when a LUHA is initially approved for participation. Each year thereafter, the fiscal year in the number will change upon approval of the Annual Request for Program Participation.
(Example: H-8-U427-000001, changed to H-47-U427-000001)
LUHAs participating in the Local Property and Multi-Family Demonstrations are assigned a separate number from the regular program.
(Example: D-47: H-85-U-27-000001, Omaha: H-88-UM-31-001001A)
The number does not change over the term of the Demonstration.

For each property enter:

4. Case Number. Enter the case number used by the source agency (eg. VA, FHA, FmHA or Local) from which the property was obtained. The case number can be found on the closing documents, eg. form HUD-9599 for FHA properties. Formats may vary; for example, FHA uses 14 characters, FmHA uses 5, and VA uses 15. For local properties use the format noted below. All properties must have a case number for entry into UHPMS. No number can be over 15 characters, including hyphens.

The case numbers for properties generally follow these formats:

FHA:	Position	Contents
	1-3	Local Field Office Code
	4	Dash (-)
	5-10	Sequential Number
	11	Dash (-)
	12-14	Section of the Act
	Sample:	521-364333-221

FmHA:	Position	Contents (use the Advice Number*)
	1-2	Numeric State Code
	3-5	Sequential number
	Sample:	66001, 66001, 66002, etc.

* The Advice Number is located at the extreme upper right-hand corner of form FmHA 1955A5, Standard Sales Contract, Sale of Real Property by the United States.

VA:	Position	Contents
	1-2	Office of Jurisdiction (VA Station)
	3	Dash (-)
	4-5	Office of Origin (Where the property is located)
	6	Dash (-)
	7	Type of loan code
	8	Dash (-)
	9-15	Case Number Sequence number of loan with the station
	Sample:	35-352042307 or Property Management Number PH012345

Local:	Position	Contents
	1-2	State numeric code
	3	Dash (-)
	4-6	City Abbreviation
	7	Dash (-)
	8-10	Sequential number assigned to property
	Sample:	29-JCK-002

5. Property Source. Enter "FHA", "VA", or "FmHA" for any property acquired by the LUHA from the Federal Housing Administration, Veterans Administration, or the Farmers Home Administration regardless of the source(s) of funds used to acquire the property. Enter "Local" for those local properties acquired with Section 810 funds under the Local Property Urban Homelessness Demonstration or any subsequent program.

6. Address. See 2 characters (See the state abbreviations in the Codes listing on page 5 of HUD-4003A).
7. No. of D.U. The number of dwelling units in the property. Use two digit, eg. 01, 02, etc.

8. Offering Value. The offering value of a property, ie. the ask price before any repairs have been made, plus closing costs. Use dollars and cents, eg. \$10,280.00.

9. First Offering Date. The date the property was first offered to the LUHA. This must be a valid date with six characters, eg. 082488. An invalid date would be 0969or 090088.

10. LUHA Accept Date. The date the LUHA notified HUD, VA, or FmHA or the owner of the local property that the LUHA wants to acquire the property. This must be a valid date with six characters, eg. 082488. An invalid date would be 0969 or 090088.

11. Reserve Sec. 810 Value. The amount of Section 810 money reserved for acquisition of the property. This is the amount shown on the "Verification of Fund Availability" form HUD-40003, which should include closing costs. Use dollars and cents, eg. \$10,280.00.

12. LUHA Acq. Date. Date of settlement (closing) when the property is acquired and title is transferred to the LUHA. This must be a valid date with six characters, eg. 082488. An invalid date would be 0969 or 090088. Important: The LUHA Acq. Date is required in order for the property to appear later on the computer-generated Quarterly Progress Report.

13. Obligations Sec. 810 Value. The actual amount of Section 810 money obligated for the property at settlement (closing). Use dollars and cents, eg. \$10,280.00.

14. Obligations Non-810 Value. The actual amount of all monies other than Section 810 (other public, private, etc.) obligated for the property at settlement (closing). Use dollars and cents, eg. \$10,280.00.

15. Census Tract. A small geographic statistical area defined by local census statistical areas committee in cooperation with the Census Bureau. A census tract covers a population of approximately 4000 inhabitants. The census tract number consists of four basic digits, and may include a decimal and two additional digits, eg. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15.

16. Enumeration Districts. A geographic area defined by the Census Bureau for the purpose of collecting 1980 data nationwide. The size of an enumeration district (ED) varies and is unique to counties or non-county areas. (These areas do not have block numbers). The ED is a six-character number which may or may not have an alpha suffix or prefix (eg. P, 0, 2, 3, A, or V, 1, 2, 3, 4, 5).

17. Block Number. A three-digit code unique within the census tract or block numbering area (eg. 2, 1, 4). This number defines the smallest geographic area for which census data are tabulated.

Note: Census maps should be available through the local Planning Department. Maps can also be obtained from the Census Bureau's Data Preparation Division in Jeffersonville, Indiana by calling (812) 288-3192 or through the State Data Center Program, which is a State-Census Bureau Cooperative. Contact should be made through any of the Census Bureau's 12 regional offices or its Data User Services Division at (202) 763-4100.

Urban Homesteading Project Numbers

<u>Region</u>	<u>UHPMIS</u>	<u>RAU/PAS</u>
I		
<u>Boston Regional Office (06)</u>		
Boston, MA	H-89-UH-25-0001BOS	
Springfield, MA	H-89-UH-25-0002SFD	
Lawrence, MA	H-89-UH-25-0003LAW	
Haverhill, MA	H-89-UH-25-0004HAV	
<u>Hartford Office (26)</u>		
Hartford, CT	H-89-UH-09-0001HTF	H86UH090001HTF
New Haven, CT	H-89-UH-09-0002NHN	
II		
<u>New York Regional Office (36)</u>		
Freeport, NY	H-89-UH-36-0501FRE	H86UH360501FRE
Hempstead, NY (Village)	H-89-UH-36-0502VHE	H86UH360502VHE
Islip, NY	H-89-UH-36-0503ISL	H86UH360503ISL
Nassau County, NY	H-89-UH-36-0504NAS	
New York City, NY	H-89-UH-36-0505NYC	
Babylon, NY	H-89-UH-36-0506BAB	H88UH360506BAB
Brookhaven, NY	H-89-UH-36-0507BRO	H86UH360507BRO
Yonkers, NY	H-89-UH-36-0508YON	
Hempstead, NY (Town)	H-89-UH-36-0509THE	H86UH360509THE
<u>Newark Office (39)</u>		
Jersey City, NJ	H-89-UH-34-0001JER	
Newark, NJ	H-89-UH-34-0002NWK	
Plainfield, NJ	H-89-UH-34-0003PLF	
Paterson, NJ	H-89-UH-34-0004PAT	
Mt. Molly, NJ	H-89-UH-34-0005MTH	
Camden, NJ	H-89-UH-34-0006CAM	H89UH340006CAM
Trenton, NJ	H-89-UH-34-0007TRN	H88UH340007TRN
Bridgeton, NJ	H-89-UH-34-0008BRG	H88UH340008BRG
<u>Buffalo Office (06)</u>		
Rochester, NY	H-89-UH-36-0001ROC	
Buffalo, NY	H-89-UH-36-0002BUF	
Syracuse, NY	H-89-UH-36-0003SYR	
Niagara Falls, NY	H-89-UH-36-0004NFS	H89UH360004NFS

<u>Region</u>	<u>UHPMIS</u>	<u>RAD/PAS</u>
<u>Caribbean Office (46)</u>		
Bayamon, PR	H-89-UH-72-0001BAY	H88UH720001BAY
Ceiba, PR	H-89-UH-72-0002CEI	H89UH720002CEI
Ponce, PR	H-89-UH-72-0003PON	H88UH720003PON
San Juan, PR	H-89-UH-72-0004SAN	H88UH720004SAN
Naguado, PR III	H-89-UH-72-0005NAG	H89UH720005NAG
<u>Baltimore Office (06)</u>		
Baltimore, MD	H-89-UH-24-0001BAL	
<u>Philadelphia Regional Office (26)</u>		
Philadelphia, PA	H-89-UH-42-0001PHL	H88UH420001PHL
York, PA	H-89-UH-42-0002YRK	
Lebanon, PA	H-89-UH-42-0003LEB	
Shamokin, PA	H-89-UH-42-0004SHA	
Luzerne County, PA	H-89-UH-42-0007LUZ	
Wilkes-Barre, PA	H-89-UH-42-0008WBR	
Pottsville, PA	H-89 UH-42-0009PTV	
Sunbury, PA	H-89-UH-42-0010SUN	
Nanticoke, PA	H-89-UH-42-0011NAN	
Allentown, PA	H-89-UH-42-0012ATN	H88UH420012ATN
Wilmington, DE	H-89-UH-10-0001WIL	H86UH100001WIL
Harrisburg, PA	*H-85-UL-42-0013HAR	*H85UL420013HAR
Chester, PA	H-89-UH-42-0014CHE	H89UH420014CHE
Delaware County, PA	H-89-UH-42-0015DEL	H89UH420015DEL
<u>Pittsburgh Office (28)</u>		
Bradford, PA	H-89-UH-42-0501BRD	
McKeesport, PA	H-89-UH-42-0502MCK	H89UH420502MCK
Allegheny County, PA	H-89-UH-42-0503ALG	H89UH420503ALG
<u>Richmond Office (36)</u>		
Newport News, VA	H-89-UH-51-0001NEW	H89UH510001NEW
Richmond, VA	H-89-UH-51-0002RIC	H86UH510002RIC
Roanoke, VA	H-89-UH-51-0003RKE	H86UH510003RKE
James City County, VA	H-89-UH-51-0004JCC	H86UH510004JCC
Danville, VA	H-89-UH-51-0005DAN	H86UH510005DAN
State of Virginia	H-89-UH-51-0006VST	H86UH510006VST
Portsmouth, VA	H-89-UH-51-0007POR	H87UH510007POR
<u>Washington, DC (39)</u>		
Prince George's County, MD	H-89-UH-24-0501PGC	H89UH240501PGC

<u>Region</u>	<u>UHPMIS</u>	<u>RAD/PAS</u>
IV		
<u>Atlanta Regional Office (06)</u>		
Atlanta, GA	H-89-UH-13-0001ATL	H89UH130001ATL
Decatur, GA	H-89-UH-13-0002DEC	
DeKalb County, GA	H-89-UH-13-0003DEK	
Warner Robins, GA	H-89-UH-13-0004WAR	
State of Georgia	H-89-UH-13-0005GEO	H89UH130005GEO
Savannah, GA	H-89-UH-13-0006SAV	H89UH130006SAV
<u>Birmingham Office (09)</u>		
Birmingham, AL	H-89-UH-01-0001BHA	H89UH010001BHA
<u>Columbia Office (16)</u>		
Anderson, SC	H-89-UH-45-0001AND	H88UH450001AND
Columbia, SC	H-89-UH-45-0002COL	H89UH450002COL
Greenville County, SC	H-89-UH-45-0003GYC	H89UH450003GYC
<u>Jacksonville Office (29)</u>		
Palm Beach County, FL	H-89-UH-12-0001PLB	H89UH120001PLB
Pinellas County	H-89-UH-12-0002PIN	
St. Petersburg, FL	H-89-UH-12-0003STP	H88UH120003STP
Dade County, FL	H-89-UH-12-0004DAD	H88UH120004DAD
Tampa, FL	H-89-UH-12-0005TMP	H89UH120005TMP
Broward County, FL	H-89-UH-12-0006BRW	H89UH120006BRW
Jacksonville, FL	H-89-UH-12-0007JAX	H89UH120007JAX
Pompano Beach, FL	H-89-UH-12-0008PMB	H89UH120008PMB
Hillsborough County, FL	H-89-UH-12-0009HIL	H89UH120009HIL
Fort Lauderdale, FL	H-89-UH-12-0010FTL	H88UH120010FTL
Lee County, FL	H-89-UH-12-0011LEE	H89UH120011LEE
Pensacola/Escambia Co., FL	H-89-UH-12-0012PEN	H89UH120012PEN
<u>Knoxville Office (37)</u>		
Knoxville, TN	*H-85-UL-47-0001KNO	*H85UL470001KNO
Shelby County, TN	H-89-UH-47-0002SHY	H89UH470002SHY
Chattanooga, TN	H-89-UH-47-0003CTN	H89UH470003CTN
Nashville, TN	H-89-UH-47-0004NAS	
<u>Louisville Office (36)</u>		
Jefferson County, KY	H-89-UH-21-0001JCK	H89UH210001JCK
Louisville, KY	H-89-UH-21-0002LYK	H89UH210002LYK
	*H-85-UL-21-0002LVK	*H85UL210002LYK

<u>Region</u>	<u>UHPMIS</u>	<u>RAD/PAS</u>
V		
<u>Chicago Regional Office (06)</u>		
Chicago, IL	H-89-UH-17-0001CHI	H89UH170001CHI
East St. Louis, IL	H-89-UH-17-0002ESL	H89UH170002ESL
Joliet, IL	H-89-UH-17-0003JOL	H89UH170003JOL
Rockford, IL	H-89-UH-17-0004ROC	H89UH170004ROC
Harvey, IL	*H-85-UL-17-0004ROC	*H85UL170004ROC
Decatur, IL	H-89-UH-17-0005SHAR	H89UH170005SHAR
Rock Island, IL	H-89-UH-17-0006DEC	H89UH170006DEC
Aurora, IL	H-89-UH-17-0007ROI	H89UH170007ROI
Kankakee, IL	H-89-UH-17-0008AUR	H88UH170008AUR
Springfield, IL	H-89-UH-17-0009KAN	H88UH170009KAN
	H-89-UH-17-0010SPD	H89UH170010SPD
<u>Columbus Office (16)</u>		
Cincinnati, OH	H-89-UH-39-0001CIN	H89UH390001CIN
Cleveland, OH	H-89-UH-39-0002CLE	H89UH390002CLE
Columbus, OH	H-89-UH-39-0003COL	H88UH390003COL
Dayton, OH	*H-85-UL-39-0003COL	*H85UL390003COL
Toledo, OH	H-89-UH-39-0004DTN	H89UH390004DTN
Youngstown, OH	H-89-UH-39-0005TLD	H88UH390005TLD
Akron, OH	H-89-UH-39-0006YGS	H89UH390006YGS
Warren, OH	H-89-UH-39-0007AKR	
Athens, OH	H-89-UH-39-0008WRN	H89UH390008WRN
Xenia, OH	H-89-UH-39-0009ATH	
Piqua, OH	H-89-UH-39-0010XEN	
Montgomery County, OH	H-89-UH-39-0011PIQ	
Stubenville, OH	H-89-UH-39-0012MON	H89UH390012MON
East Liverpool, OH	H-89-UH-39-0013STU	
Canton, OH	H-89-UH-39-0014ELP	
Springfield, OH	H-89-UH-39-0015CAN	H89UH390015CAN
Cuyahoga County, OH	H-89-UH-39-0016SPG	H89UH390016SPG
Franklin County, OH	H-89-UH-39-0017CUY	H89UH390017CUY
Lima, OH	H-89-UH-39-0018FRA	H88UH390018FRA
State of Ohio	H-89-UH-39-0019LIM	H89UH390019LIM
	H-89-UH-39-0020STO	H89UH390020STO
<u>Detroit Office (28)</u>		
Benton Harbor, MI	H-89-UH-26-0001BEN	
Highland Park, MI	H-89-UH-26-0002HPK	
Flint, MI	H-89-UH-26-0003FLI	H89UH260003FLI
Saginaw, MI	H-89-UH-26-0004SAG	H89UH260004SAG
Detroit, MI	H-89-UH-26-0005DET	H86UH260005DET
Port Huron, MI	H-89-UH-26-0006PTH	
Madison Heights, MI	H-89-UH-26-0007MHT	
Hazel Park, MI	H-89-UH-26-0008HZP	
Jackson, MI	H-89-UH-26-0009JAC	H89UH260009JAC

<u>Region</u>	<u>UHPMIS</u>	<u>RAD/PAS</u>
<u>Detroit Office (continued)</u>		
Lansing, MI	H-89-UH-26-0010LAN	H89UH260010LAN
Genessee County, MI	H-89-UH-26-0011GEC	H89UH260011GEC
Grand Rapids, MI	H-89-UH-26-0012GRR	H88UH260012GRR
Westland, MI	H-89-UH-26-0013WES	H86UH260013WES
Inkster, MI	H-89-UH-26-0014INK	H89UH260014INK
Kalamazoo, MI	H-89-UH-26-0015KAL	H89UH260015KAL
<u>Indianapolis Office (36)</u>		
Gary, IN	H-89-UH-18-0001GAR	H88UH180001GAR
Indianapolis, IN	H-89-UH-18-0002IND	H89UH180002IND
South Bend, IN	H-89-UH-18-0003SBN	H88UH180003SBN
Terre Hatue, IN	H-89-UH-18-0004TER	H89UH180004TER
	*H-85-UL-18-0004TER	*H85UL180004TER
Lake County, IN	H-89-UH-18-0005LKC	H89UH180005LKC
<u>Minneapolis Office (46)</u>		
Minneapolis, MN	H-89-UH-27-0001MPS	H89UH270001MPS
St. Paul, MN	H-89-UH-27-0002STP	H89UH270002STP
Moorhead, MN	H-89-UH-27-0003MHD	H86UH270003MHD
Duluth, MN	H-89-UH-27-0004DUL	H89UH270004DUL
	*H-85-UL-27-0004DUL	*H85UL270004DUL
Dakota County, MN	H-89-UH-27-0005DAK	H88UH270005DAK
St. Cloud, MN	H-89-UH-27-0006STC	H88UH270006STC
Anoka County, MN	H-89-UH-27-0007AKA	H88UH270007AKA
State of Minnesota		
Ada, MN	H-89-UH-27-0008ADA	H87UH270008ADA
Argyle, MN	H-89-UH-27-0009ARG	H86UH270009ARG
Fertile, MN	H-89-UH-27-0010FER	H86UH270010FER
Fosston, MN	H-89-UH-27-0011FOS	H86UH270011FOS
Crookston, MN	H-89-UH-27-0012CRO	H89UH270012CRO
Red Lake Falls, MN	H-89-UH-27-0013RLF	H87UH270013RLF
Pennington County, MN	H-89-UH-27-0014PEN	H86UH270014PEN
Alvaredo, MN	H-89-UH-27-0015ALV	H86UH270015ALV
Rochester, MN	H-89-UH-27-0016ROC	H88UH270016ROC
<u>Milwaukee Office (39)</u>		
Milwaukee, WI	H-89-UH-55-0001MIL	H89UH550001MIL
	*H-85-UL-55-0001MIL	*H85UL550001MIL
Racine, WI	H-89-UH-55-0002RAC	H89UH550002RAC
Kenosha, WI	H-89-UH-55-0003KEN	H88UH550003KEN

<u>Region</u>	<u>UHPMIS</u>	<u>RAD/PAS</u>
VI		
<u>Ft. Worth Regional Office (16)</u>		
Dallas, TX	H-89-UH-48-0001DAL	
College Station, TX	*H-85-UL-48-0002CLS	*H85UL480002CLS
Houston, TX	H-89-UH-48-0002HOU	H89UH480002HOU
Ft. Worth, TX	H-89-UH-48-0003FTW	H89UH480003FTW
Lubbock, TX	H-89-UH-48-0004LUB	H89UH480004LUB
<u>New Orleans Office (48)</u>		
Shreveport, LA	H-89-UH-22-0001SHV	H89UH220001SHV
New Orleans, LA	H-89-UH-22-0002NWO	H89UH220002NWO
<u>Oklahoma City Office (56)</u>		
Lawton, OK	H-89-UH-40-0001LAW	H89UH400001LAW
Tulsa, OK	H-89-UH-40-0002TUL	H88UH400002TUL
Enid, OK	H-89-UH-40-0003ENI	H89UH400003ENI
Shawnee, OK	H-89-UH-40-0004SHA	H89UH400004SHA
Oklahoma City, OK	H-89-UH-40-0005OKL	H89UH400005OKL
<u>San Antonio Office (59)</u>		
San Antonio, TX	H-89-UH-48-0501SAN	H89UH480501SAN
VII		
<u>Kansas City Regional Office (16)</u>		
Kansas City, MO	H-89-UH-29-0001KCM	H89UH290001KCM
Topeka, KS	H-89-UH-20-0002TOP	H89UH200002TOP
Kansas City, KS	H-89-UH-20-0003KCK	H89UH200003KCK
St. Joseph, MO	H-89-UH-29-0004STJ	H89UH290004STJ
<u>St. Louis Office (36)</u>		
St. Louis (City), MO	H-89-UH-29-0501STL	
Jennings, MO	H-89-UH-29-0502JEN	H89UH290502JEN
Pine Lawn, MO	H-89-UH-29-0503PIL	H87UH290503PIL
Berkeley, MO	H-89-UH-29-0504BER	H89UH290504BER
Ferguson, MO	H-89-UH-29-0505FER	H86UH290505FER
Northwoods, MO	H-89-UH-29-0506NOR	H86UH290506NOR
Pagedale, MO	H-89-UH-29-0507PAG	H87UH290507PAG
Velda Village, MO	H-89-UH-29-0508VEL	H86UH290508VEL
Vinita Park, MO	H-89-UH-29-0509VIN	H86UH290509VIN
Hillsdale, MO	H-89-UH-29-0510HIL	H87UH290510HIL
St. Louis County, MO	H-89-UH-29-0511STC	H86UH290511STC
<u>Omaha Office (26)</u>		
Omaha, NE	H-89-UH-31-0001OMA	H89UH310001OMA
	*H-85-UL-31-0001OMA	*H85UL310001OMA
Des Moines, IA	H-89-UH-19-0002DSM	H89UH190002DSM
Sioux City, IA	H-89-UH-19-0003SCY	H89UH190003SCY
Davenport, IA	H-89-UH-19-0004DVP	H89UH190004DVP
Bloomfield, NE	H-89-UH-31-0005BLM	H86UH310005BLM
Creighton, NE	H-89-UH-31-0006CRE	H88UH310006CRE

<u>Region</u>	<u>UHPMIS</u>	<u>RAD/PAS</u>
<u>Omaha Office (continued)</u>		
Cherokee, IA	H-89-UH-19-0007CHE	H88UH190007CHE
Eldora, IA	H-89-UH-19-0008ELD	H88UH190008ELD
Oelwein, IA	H-89-UH-19-0009OEL	H88UH190009OEL
Crofton, NE	H-89-UH-31-0010CRO	H86UH310010CRO
South Sioux City, NE	H-89-UH-31-0011SSS	H89UH310011SSS
Stuart, NE	H-89-UH-31-0012STU	H88UH310012STU
Verdigree, NE	H-89-UH-31-0013VER	H88UH310013VER
Randolph, NE	H-89-UH-31-0014RAN	H88UH310014RAN
Atkinson, NE	H-89-UH-31-0015ATK	H88UH310015ATK
VIII		
<u>Denver Office (99)</u>		
Denver, CO	H-89-UH-08-0001DEN	H89UH080001DEN
State of Wyoming	H-89-UH-56-0002WYO	H89UH560002WYO
Salt Lake County, UT	H-89-UH-49-0003SLC	H89UH490003SLC
Salt Lake City, UT	H-89-UH-49-0004SAL	H89UH490004SAL
Billings, MO	H-89-UH-30-0005BIL	H89UH300005BIL
IX		
<u>San Francisco Regional Office (39)</u>		
Oakland, CA	H-89-UH-06-0001OAK	
Phoenix, AZ	H-89-UH-04-0002PHE	H89UH040002PHE
<u>Los Angeles Office (16)</u>		
Compton, CA	H-89-UH-06-0501CMP	
Los Angeles City, CA	H-89-UH-06-0502LOS	
Los Angeles County, CA	H-89-UH-06-0503LAC	
X		
<u>Seattle Regional Office (19)</u>		
Tacoma, WA	H-89-UH-53-0501TAC	
Yakima, WA	H-89-UH-53-0502YKM	H89UH530502YKM
Spokane, WA	H-89-UH-53-0503SPO	H89UH530503SPO
Longview, WA	H-89-UH-53-0504LGV	H88UH530504LGV
Richland, WA	H-89-UH-53-0505RHL	H89UH530505RHL
<u>Portland Office (16)</u>		
Portland, OR	H-89-UH-41-0001POR	H89UH410001POR
	*H-85-UL-41-0001POR	*H85UL410001POR
Salem, OR	H-89-UH-41-0002SAL	
Eugene, OR	H-89-UH-41-0003EUG	H86UH410003EUG
Multnomah County, OR	H-89-UH-41-0004MUL	H88UH410004MUL
Clackamas County, OR	H-89-UH-41-0005CLA	H86UH410005CLA
Malheur County, OR	H-89-UH-41-0006MAL	H88UH410006MAL
Boise ID	H-89-UH-16-0007BOI	H89UH160007BOI

* The 11 localities that participated in the Local Property Urban Homesteading Demonstration are identified by an asterisk (*). The Fiscal Year 1985 project number for these localities is in both the UHPMIS and the PAS to reflect the obligation of funds through a letter of credit in that year. Since additional funding was not authorized for the Demonstration past 1987, these localities will continue to have a Fiscal Year 1985 project number.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FUNDS RESERVATION AND CONTRACT AUTHORITY					
1. A. NAME AND ADDRESS OF PROJECT IDENTIFICATION Veterans Administration City, State				1. B. PROJECT CONTRACT, ISA OR PURCHASE ORDER NUMBER H89UH480002HOU	
				2. DATE OF PREPARATION (Month, Day and Year) 09/21/89	
3. RESERVATION NUMBER UH-10-89			4. NAME AND TITLE OF SOURCE OFFICER Lew Haw Urban Homesteading Coordinator		
5. FUNDING AND ACCOUNTING CLASSIFICATION					
APPROPRIATION OR FUND SYMBOL A	COST CENTER CODE B	SUB-OBJECT CLASS CODE C	RESERVATION OUTSTANDING D	INCREASE (Decrease) E	NET AMOUNT F
86X0171				\$11,254.00	\$11,254.00
URBAN HOMESTEADING PROGRAM City of Houston, Texas Address					
NET TOTALS				\$11,254.00	\$11,254.00
6. PURPOSE OF THIS ACTION (Check Applicable Box(es))					
A. <input checked="" type="checkbox"/> INITIAL RESERVATION B. <input type="checkbox"/> INCREASE OR (Decrease) RESERVATION (Amendment Number _____) C. <input type="checkbox"/> CANCEL RESERVATION (Bracket Amount in 5E) D. <input type="checkbox"/> EXECUTE, AMEND OR WAIVE CONTRACT					
7A. DESCRIPTION OF PROJECT To reimburse VA for property at (address and Case No.)			7B. CONTRACT CONDITIONS (If any)		
8A. DATE (Month, Day and Year) 09/21/89		8B. SIGNATURE OF SOURCE OFFICER			
9. TO BE COMPLETED BY ORIGINATING OFFICE					
RECOMMENDATION AND AUTHORIZATION (If Required):					
In accordance with authority vested in or delegated to the undersigned; in consequence of provisions and requirements of applicable law; under decisions of record regarding the project or program identified in Block 1B above; and with determination that the actions in Block 5 are in the public interest, those actions are recommended and authorized herewith:					
A. RECOMMENDED					
B. DATE (Month, Day & Year) 09/22/89		TITLE Director, CPD		AUTHORIZED (Signature)	
DATE (Month, Day & Year)		TITLE			
C. OFFICIAL PRESS RELEASE DATE (Month, Day and Year)					
10. FOR ACCOUNTING USE ONLY					
<input type="checkbox"/> FUNDS AVAILABLE <input type="checkbox"/> RESERVATION RECORDED OR ADJUSTED TO AMOUNT SHOWN IN 5F					
By <u> RAD </u> (Signature) Date _____					

INSTRUCTIONS FOR PREPARING FORM HUD-718 FOR THE URBAN
HOMESTEADING PROGRAM

NOTE: A HUD-718 must be completed and prevalidated by the RAD or OFA before the property is transferred to the State or unit of local government or designated LUHA.

Block Number
on HUD-718Instructions

- 1A. Enter the name of the Federal Agency or loan fund to be reimbursed from the Section 810 fund for the property.
- HUD/Federal Housing Administration;
Farmers Home Administration;
Veterans Administration; or
Section 312 Loan Fund
- 1B. Enter the project number (without spaces) assigned to the State, or unit of general local government or designated Local Urban Homesteading Agency.
- Example: H88UH480002HOU
2. Enter the date prepared by the originating office.
3. Enter the number of this action assigned by the originating office for their use.
- Suggested format: UH-1-88
- UH (Urban Homesteading program initials)
1 (consecutive number beginning with "1" each year)
88 (applicable fiscal year)
4. Enter the name and title of the person responsible for preparing this form. (This is usually the Urban Homesteading Coordinator.)
- 5A. Enter "86X0171" which is the appropriation symbol for the Urban Homesteading Program.
-

NOTE: In this area type this additional information:

a. Urban Homesteading Program

b. Name of LUHA (this relates to the State, or unit of general local government responsible for the Urban Homesteading Program):

- e.g., o City of Houston, Texas
- o Montgomery County, Ohio
- o State of Wyoming

c. Address of LUHA:

- 5B. Leave blank.
- 5C. Leave blank.
- 5D. Leave blank for the initial reservation for a property. For a revision to an existing reservation, show the amount in column 5F of the last HUD-718 processed for this property.
- 5E. Enter the amount of the initial reservation for the property. Enter increases to existing reservations without brackets and decreases with brackets.
- 5F. The amount in column 5D, plus increases in column 5E or decreases in column 5E, equals the amount to be entered in 5F.
6. Check the appropriate box.
- 7A. Enter a description of action for which funds are being reserved.
- e.g. o to reimburse (FHA, VA or FmHA) for Urban Homesteading property at [address and case no.].
 - o increase (or decrease) reservation to reimburse (FHA, VA or FmHA) for Urban Homesteading property at [address and case no.].
-



APPENDIX 11

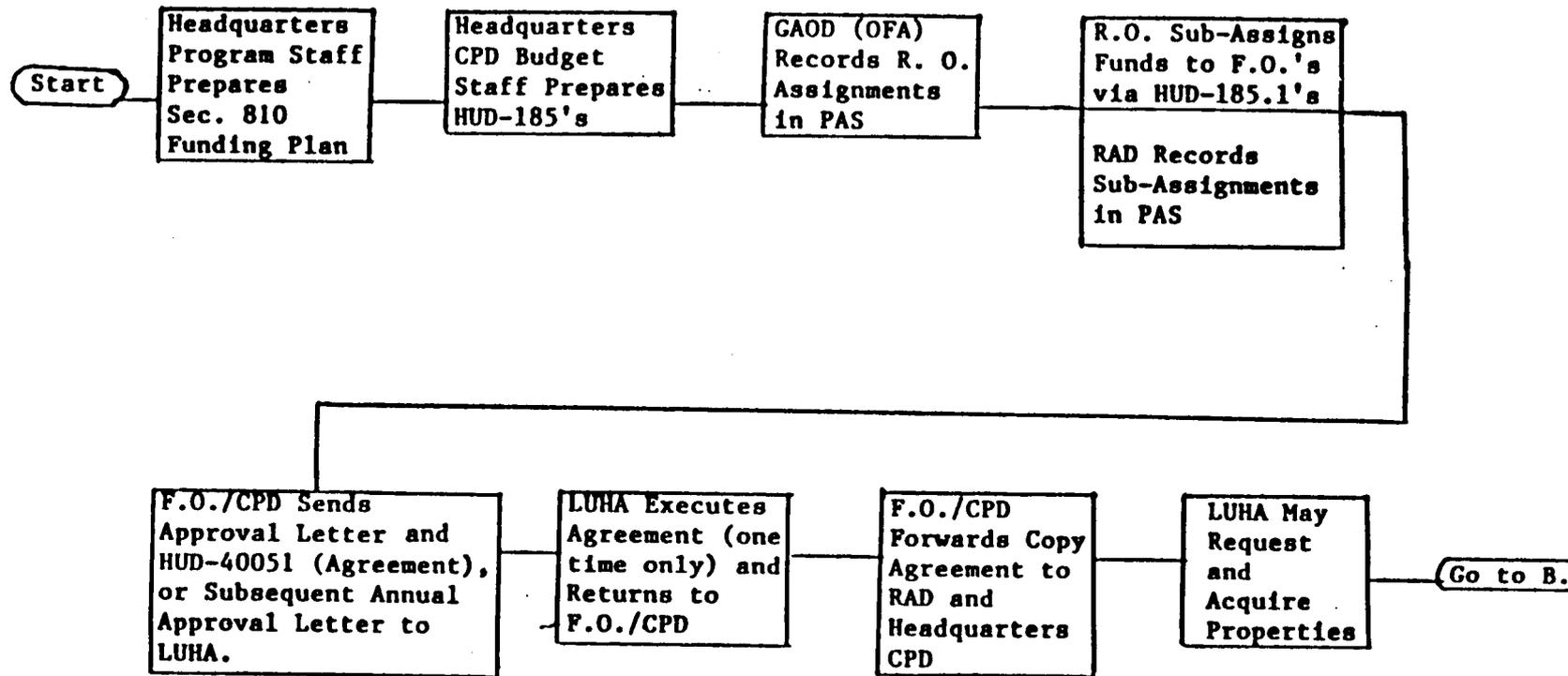
o cancel reservation to reimburse (FHA, VA or FmHA) for Urban Homesteading property at [address and case no.].

- 8A. Date of signature.
- 8B. Signature of individual named in Item 4.
- 9A. Recommended by (or concurred on): (if appropriate)
- 9B. Date, Title, and signature authorizing this action (e.g. Director, CPD)
- 9C. Leave blank.

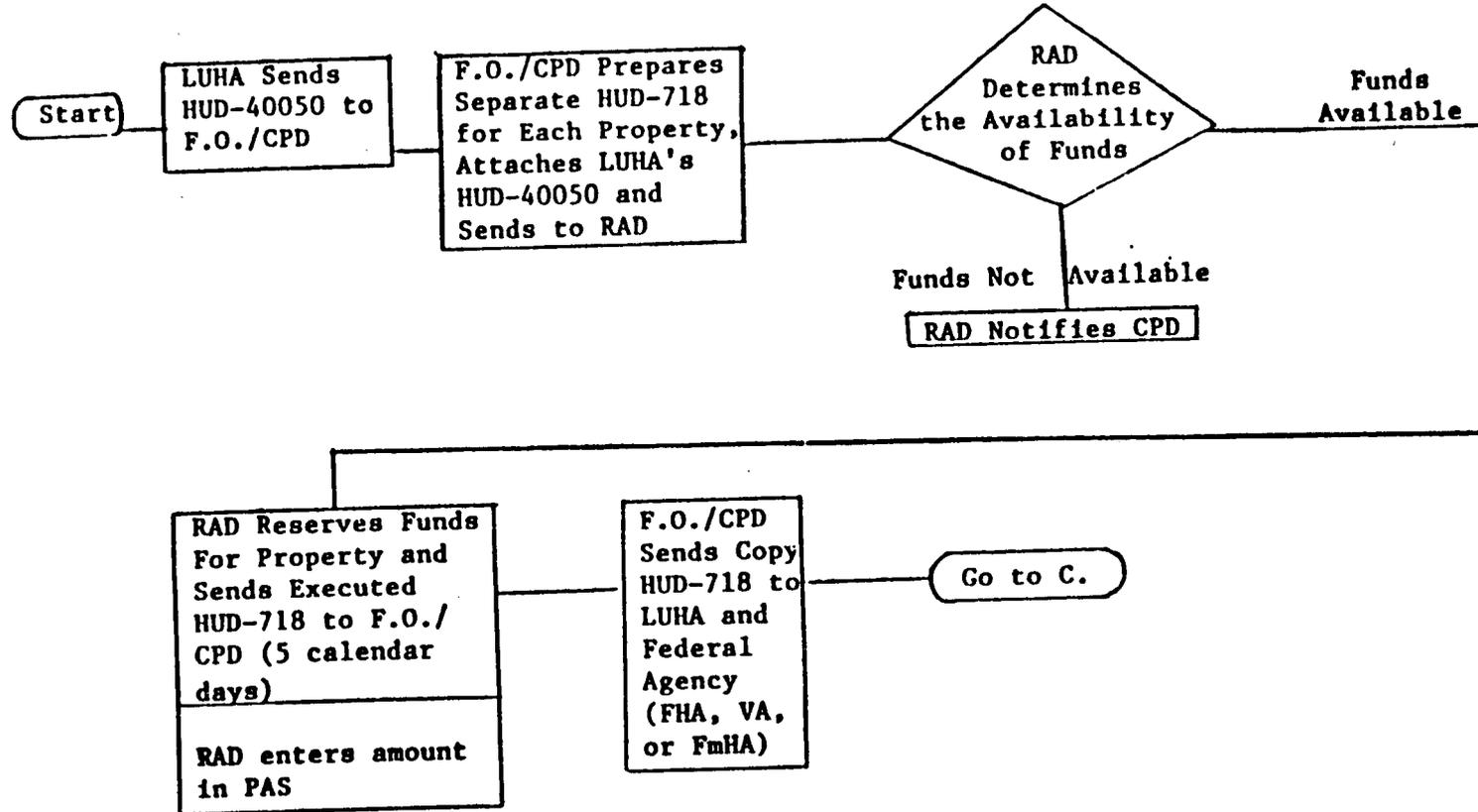
(after completion) SEND HUD-718 TO RAD or OFA, as applicable, for prevalidation of funds.

URBAN HOMESTEADING PROGRAM FUND CONTROL PROCEDURES Flowchart

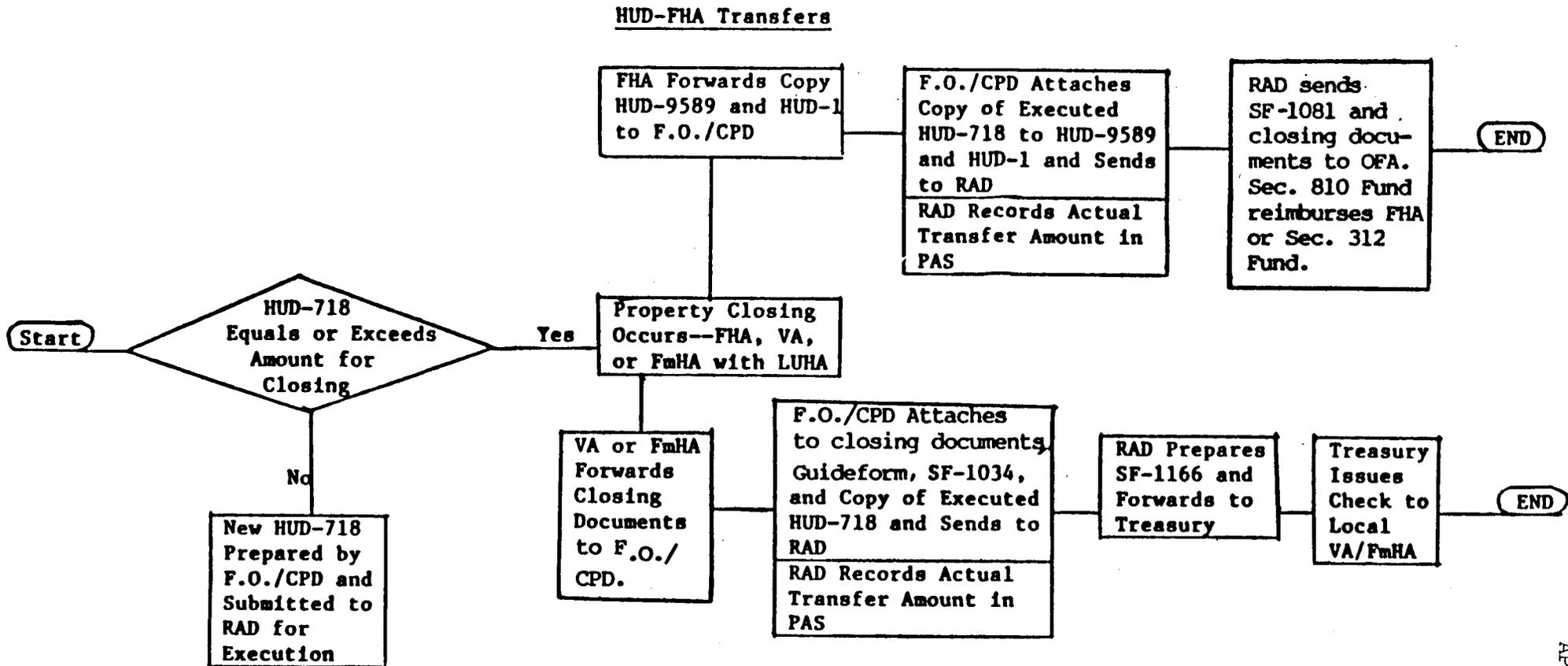
A. How Urban Homesteading Funds Are Assigned.



B. How Urban Homesteading Funds are Reserved for Specific Properties.



C. Urban Homesteading Property Closing.



FORMS IDENTIFIED IN THE URBAN HOMESTEADING PROGRAM FUND CONTROL FLOWCHART

SECTION A.

HUD-185-Regional Fund and Contract Authority Assignment
HUD-185.1-Regional Fund and Contract Authority Sub-Assignment
HUD-718-Funds Reservation and Contract Authority

SECTION B.

HUD-40051-Urban Homesteading Program Participation Agreement (Includes
Amendments and Annual Requests for Program Participation
HUD-40050-Verification of Fund Availability

SECTION C.

HUD-9589-Transmittal of Closing Information
HUD-1-Closing Statement
SF-1034-Public Voucher for Purchases and Services Other Than Personal
SF-1081-Voucher and Schedule of Withdrawals and Credits
SF-1166-Voucher and Schedule of Payments

GLOSSARY:

PAS--Program Accounting System
GAOD-OFA--General Accounting Operations Division--Office of Finance and
Accounting (Headquarters)
LUHA--Local Urban Homesteading Agency
RAD--Regional Accounting Division
R.O.--Regional Office
F.O./CPD--Field Office--Office of Community Planning and Development
(Generally Means Urban Homesteading Coordinator)

**Urban Homesteading Program
Tracking Guide**
for HUD-718 (Property-By-Property) and Support Documentation

U.S. Department of Housing
and Urban Development
Office of Community Planning and Development



6400.1 REV-1
APPENDIX 13

Fiscal Year		LUHA							
Property Address	Enter Dates as Appropriate								
	All Properties					FHA Properties		VA/FmHA Properties	
	Property Sources: FHA, Sec. 312, VA, or FmHA	HUD-40050 Verification of Fund Availability rec'd from LUHA	HUD-718 (Orig. + 1) and HUD-40050 Sent to RAD	Original HUD-718 Received from RAD	Notified LUHA and PD, VA or FmHA to close	Received Copy of HUD-9589 and HUD-1 from PD	HUD-9589, HUD-1, and HUD-718 Sent to RAD	Received Closing Documents from VA/FmHA	Sent HUD-40075, SF-1034, Clos. Docs., and HUD-718 to RAD

**Verification of
Fund Availability**

US Department of Housing
and Urban Development

Office of Community Planning
and Development



**Section 810
Urban Homesteading Program**

OMB No. 2506-0042 (Exp. 6-30-88)

Locality	Urban Homesteading Number
----------	---------------------------

To _____, Urban Homesteading Coordinator

This is to request HUD verification of fund availability and property eligibility for properties located at the following addresses:

Street Address	Certified Acquisition Cost Plus Good Faith Estimates of Closing Costs			
	VA	FmHA	FHA	Other (Identify)
Total	\$	\$	\$	\$
Total Number of Properties				

In addition, this is to certify that each property listed is a residence of one- to four-dwelling units; is currently unoccupied; is located in an approved Urban Homesteading neighborhood; and, is in such condition as to be suitable for homesteading (the required repairs are within the capability of homesteaders under the local program).

Director, Local Urban Homesteading Agency	Date
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Transmittal of Closing Information

U.S. Department of Housing and Urban Development
Office of Housing
Property Disposition Program



OMB Approval No. 2502-0249 (exp. 1/31/92)

Public reporting burden for this collection of information is estimated to average 0.25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of its collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Office of Information Policies and Systems, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600 and to the Office of Management and Budget, Paperwork Reduction Project (2502-0249), Washington, D.C. 20503

Read the instructions on the back of the form. The Field Office must submit this form for receipt by OFA no later than 14 calendar days following closing. Include copies of the following:
• Bank's wire transfer debit confirmation; • Form HUD-1; • Bulk sales listing (bulk sales only).

Mail to: U.S. Department of Housing and Urban Development
Real Property Branch
PO Box 44813
Washington, DC 20026-4813

1. Field Office Name		2. Old FHA Case No. & Section of Act Code		3. Closing Date (mm/dd/yy)	
4. Property Address (abbreviate street type, e.g.: St.; Ave.; Dr.)			City	State	Zip Code

5. Type of Sale (check one)

216 Cash Sale 211 FHA Insured Mortgage 214 Bulk Sale 224 Urban Homestead Sale (see back of form) 212 VA Guaranteed Mortgage Sale 227 Purchase Money Mortgage Sale

6. Earnest Money Deposit (check box a or b to indicate action taken)

6a. Earnest money deposited by the broker or by the closing agent (this amount must not appear on line 501 of the HUD-1).

6b. Earnest money deposited by Field Office (via SF-215) (this amount must appear on line 501 of the HUD-1). Fill in the amount, schedule number, and date, below.

\$	Amount	Schedule Number	Date (mm/dd/yy)
----	--------	-----------------	-----------------

7. Summary of Settlement Statement Data (line numbers are from form HUD-1)

7a. Sales price (line 401)	\$	
7b. Other amounts due HUD (usually lines 403-405 / 409-412; i.e., rent, extension fee)	+	\$
7c. Taxes/Assessments due HUD (usually lines 406-408)	+	\$
7d. Earnest money deposit - complete only if earnest money was deposited by the Field Office (line 501)	(-)	\$
7e. Settlement charges to HUD (line 502)	(-)	\$
7f. Other reductions in the amount due HUD (usually lines 506-509 / 513-519; i.e., refunds)	(-)	\$
7g. Taxes/Assessments due purchaser (usually lines 510-512)	(-)	\$
7h. Cash + <input type="checkbox"/> from HUD to HUD (total lines 7a through 7g, above; then reconcile to line 603)	Total	\$

8a. Method of Sales Proceeds Deposit (check one)

Wire transfer (verify use of the old FHA Case No. on confirmation)

Deposit by the Field Office (SF-215)

8b. Amount (must equal 7h. If not, complete block 10)	8c. Date of Wire or Deposit (mm/dd/yy)	8d. Schedule Number (for Field Office Deposits)
---	--	---

IRS Reporting Information (make no entries in blocks 9a - 10e if no commission was paid or the name indicates a corporate entity, e.g., Corporation, Corp., Incorporated, Inc.)

9a. Broker's Business Name

Broker's Business Address (abbreviate street type, e.g.: St.; Ave.; Dr.) City State Zip Code

9b. Broker's Employer ID No. OR Broker's Social Security No.	9c. Broker's Phone No.	9d. Amount of Commission Paid	9e. Name Control
--	------------------------	-------------------------------	------------------

10a. Closing Agent's Business Name

Closing Agent's Business Address (abbreviate street type, e.g.: St.; Ave.; Dr.) City State Zip Code

10b. Closing Agent's Employer ID No. OR Closing Agent's Social Security No.	10c. Closing Agent's Phone No.	10d. Amount of Commission Paid	10e. Name Control
---	--------------------------------	--------------------------------	-------------------

11a. Signature of Chief Property Officer certifying to the accuracy of this form: X	11b. Date Signed & Transmitted to Hdqtrs.
--	---

Instructions

Print or type all entries clearly. Do not slash through zeros, e.g., Ø.

Block 2. Old FHA Case No. and Section of Act Code: Don't include hyphens.

Enter the number and code under which the property was originally insured. The first three spaces identify the geographic area in which the property is located. The next seven spaces accommodate the sequential number used to identify the insured property. For newer case numbers, seven spaces have been provided for the check digit. If no seventh digit exists, leave the seventh space blank. In the last three spaces enter the Section of the Act Code to the right of the pre-printed "O".

Block 3. Closing Date: Enter the closing (settlement) date from block I of the Settlement Statement, form HUD-1.

Block 5. Type of Sale: For Homestead sales, provide the following computation from the data on the HUD-1 (line numbers are from form HUD-1). Do not complete Blocks 7a - 7h. Immediately after closing, copies of forms HUD-9589 and HUD-1 are to be sent to the Urban Homesteading Coordinator in CPD. CPD will forward both forms, along with an executed form HUD-718 for the property, to the RAD.

Urban Homestead Program Number: (insert all 14 characters, omit hyphens)		
1. Contract Sales price of property (line 401)	\$	
2. Closing costs (line 502)	+\$	
3. Amount paid in cash by LUHA (non-Section 810 funds used for nominal consideration or amount exceeding Section 810 limit) (line 508)	(-\$)	
4. Amount charged to Section 810 funds (line 509)	Total \$	
5. Amount LUHA paid to reimburse HUD for the prepaid taxes	\$	

Block 7. Summary of Settlement Statement Data: Enter amounts as shown on the form HUD-1. Some amounts shown on the HUD-1 may have to be combined in order to correctly complete this form, e.g., taxes due the purchaser may be shown on multiple lines of the HUD-1, but only the total amount of taxes due the purchaser may be shown in block 7g of this form. If an amount is shown on an incorrect line on the HUD-1, it must be entered in the correct block on this form, e.g., a wire transfer fee shown on line 512 of the HUD-1 is actually a settlement charge and should be shown in block 7e of this form. Leave the line blank if no amount is to be provided, i.e., do not fill line with zeros. Finally, total blocks 7a-7g and then reconcile the amount to that shown on line 603 of form HUD-1. Corrective action to resolve differences must be initiated prior to certification.

IRS Reporting Information

Block 9b. Broker's Tax Identification Number (Employer ID No. or Social Security No.).

Block 9d. Amount of Commission Paid: Information concerning the amount of commission paid to the broker will be used to prepare form 1099-MISC, Statement for Recipients of Miscellaneous Income, and reported to the Internal Revenue Service. Enter information from the Standard Retail Sales Contract (form HUD-9548) or contact the broker to obtain the correct information. Complete information must be provided except where no commission was paid or the broker's business name indicates a corporate entity, e.g., Corporation, Corp., Incorporated, Inc.

Block 9e. Name Control: Enter the first 4 letters of the broker's surname (last name). If the surname is not determinable, such as in the case of a business name, leave this block blank.

Block 10b. Closing Agent's Tax Identification Number (Employer ID No. or Social Security No.).

Block 10d. Amount of Commission Paid: Information concerning the amount of commission paid to the closing agent will be used to prepare form 1099-MISC, Statement for Recipients of Miscellaneous Income, and reported to the Internal Revenue Service. Enter information from the Settlement Statement (form HUD-1) or contact the closing agent to obtain the correct information. Complete information must be provided except where no commission was paid or the closing agent's business name indicates a corporate entity, e.g., Corporation, Corp., Incorporated, Inc.

Block 10e. Name Control: Enter the first 4 letters of the closing agent's surname (last name). If the surname is not determinable, such as in the case of a business name, leave this block blank.



A. Settlement Statement

U.S. Department of Housing and Urban Development

OMB No. 2502-0265 (Exp. 12-31-86)

B. Type of Loan				6. File Number	7. Loan Number	8. Mortgage Insurance Case Number
1 <input type="checkbox"/> FHA	2 <input type="checkbox"/> FmHA	3 <input type="checkbox"/> Conv. Unins.				
4 <input type="checkbox"/> VA	5 <input type="checkbox"/> Conv. Ins.					
C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.						
D. Name and Address of Borrower			E. Name and Address of Seller		F. Name and Address of Lender	
G. Property Location				H. Settlement Agent		
				I. Place of Settlement		J. Settlement Date
J. Summary of Borrower's Transaction				K. Summary of Seller's Transaction		
100. Gross Amount Due From Borrower				400. Gross Amount Due To Seller		
101. Contract sales price				401. Contract sales price		
102. Personal property				402. Personal property		
103. Settlement charges to borrower (line 1400)				403.		
104.				404.		
105.				405.		
Adjustments for items paid by seller in advance				Adjustments for items paid by seller in advance		
106. City/town taxes	to			406. City/town taxes	to	
107. County taxes	to			407. County taxes	to	
108. Assessments	to			408. Assessments	to	
109.				409.		
110.				410.		
111.				411.		
112.				412.		
120. Gross Amount Due From Borrower				420. Gross Amount Due To Seller		
200. Amounts Paid By Or In Behalf Of Borrower				500. Reductions in Amount Due To Seller		
201. Deposit of earnest money				501. Excess deposit (see instructions)		
202. Principal amount of new loan(s)				502. Settlement charges to seller (line 1400)		
203. Existing loan(s) taken subject to				503. Existing loan(s) taken subject to		
204.				504. Payoff of first mortgage loan		
205.				505. Payoff of second mortgage loan		
206.				506.		
207.				507.		
208.				508.		
209.				509.		
Adjustments for items unpaid by seller				Adjustments for items unpaid by seller		
210. City/town taxes	to			510. City/town taxes	to	
211. County taxes	to			511. County taxes	to	
212. Assessments	to			512. Assessments	to	
213.				513.		
214.				514.		
215.				515.		
216.				516.		
217.				517.		
218.				518.		
219.				519.		
220. Total Paid By/For Borrower				520. Total Reduction Amount Due Seller		
300. Cash At Settlement From/To Borrower				600. Cash At Settlement To/From Seller		
301. Gross Amount due from borrower (line 120)				601. Gross amount due to seller (line 420)		
302. Less amounts paid by/for borrower (line 220)	()	602. Less reductions in amt due seller (line 520)	()
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower				603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller		

L. Settlement Charges

				Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
700. Total Sales/Broker's Commission based on price \$		@	% =		
Division of Commission (line 700) as follows:					
701. \$	to				
702. \$	to				
703. Commission paid at Settlement					
704.					
800. Items Payable in Connection With Loan					
801. Loan Origination Fee	%				
802. Loan Discount	%				
803. Appraisal Fee	to				
804. Credit Report	to				
805. Lender's Inspection Fee					
806. Mortgage Insurance Application Fee to					
807. Assumption Fee					
808.					
809.					
810.					
811.					
900. Items Required By Lender To Be Paid In Advance					
901. Interest from	to	@ \$	/day		
902. Mortgage Insurance Premium for			months to		
903. Hazard Insurance Premium for			years to		
904.			years to		
905.					
1000. Reserves Deposited With Lender					
1001. Hazard insurance	months@ \$		per month		
1002. Mortgage insurance	months@ \$		per month		
1003. City property taxes	months@ \$		per month		
1004. County property taxes	months@ \$		per month		
1005. Annual assessments	months@ \$		per month		
1006.	months@ \$		per month		
1007.	months@ \$		per month		
1008.	months@ \$		per month		
1100. Title Charges					
1101. Settlement or closing fee	to				
1102. Abstract or title search	to				
1103. Title examination	to				
1104. Title insurance binder	to				
1105. Document preparation	to				
1106. Notary fees	to				
1107. Attorney's fees	to				
(includes above items numbers:)		
1108. Title insurance	to				
(includes above items numbers:)		
1109. Lender's coverage	\$				
1110. Owner's coverage	\$				
1111.					
1112.					
1113.					
1200. Government Recording and Transfer Charges					
1201. Recording fees: Deed \$		Mortgage \$		Releases \$	
1202. City/county tax/stamps: Deed \$		Mortgage \$			
1203. State tax/stamps: Deed \$		Mortgage \$			
1204.					
1205.					
1300. Additional Settlement Charges					
1301. Survey	to				
1302. Pest inspection	to				
1303.					
1304.					
1305.					
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)					

L. Settlement Charges				Paid From Borrowers Funds at Settlement	Paid From Seller's Funds at Settlement
700. Total Sales/Broker's Commission based on price \$		% =			
Division of Commission (line 700) as follows					
701 \$	to				
702 \$	to				
703 Commission paid at Settlement					
704					
800. Items Payable in Connection With Loan					
801. Loan Origination Fee		%			
802. Loan Discount		%			
803 Appraisal Fee	to				
804 Credit Report	to				
805 Lender's Inspection Fee					
806 Mortgage Insurance Application Fee to					
807 Assumption Fee					
808					
809					
810					
811					
900. Items Required By Lender To Be Paid in Advance					
901 Interest from	to	@ \$	day		
902 Mortgage Insurance Premium for			months to		
903 Hazard Insurance Premium for			years to		
904			years to		
905					
1000. Reserves Deposited With Lender					
1001 Hazard insurance	months @ \$		per month		
1002 Mortgage insurance	months @ \$		per month		
1003 City property taxes	months @ \$		per month		
1004 County property taxes	months @ \$		per month		
1005 Annual assessments	months @ \$		per month		
1006	months @ \$		per month		
1007	months @ \$		per month		
1008	months @ \$		per month		
1100. Title Charges					
1101 Settlement or closing fee	to				
1102 Abstract or title search	to				
1103 Title examination	to				
1104 Title insurance binder	to				
1105 Document preparation	to				
1106 Notary fees	to				
1107 Attorney's fees	to				
(includes above items numbers.)					
1108 Title insurance	to				
(includes above items numbers.)					
1109 Lender's coverage	\$				
1110 Owner's coverage	\$				
1111					
1112					
1113					
1200. Government Recording and Transfer Charges					
1201 Recording fees: Deed \$; Mortgage \$; Releases \$	
1202 City/county tax/stamps: Deed \$; Mortgage \$			
1203 State tax/stamps: Deed \$; Mortgage \$			
1204					
1205					
1300. Additional Settlement Charges					
1301 Survey	to				
1302 Pest inspection to					
1303					
1304					
1305					
1400. Total Settlement Charges (enter on lines 103, Section J and 902, Section K)					

Standard Form 1044 September 19, 1964 4 Treasury FR 20 7040 5010-117		PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL				FORM NO.
U.S. DEPARTMENT, BUREAU, OR OFFICE AND LOCATION U. S. Department of HUD Any Area Office 1234 Street Address Any Town, USA 01234		DATE VOUCHER ISSUED		FEDERAL NO. PAID BY DATE CHECK DEPOSITED CHECK NO. PAYEE'S ACCOUNT NUMBER		
		CONTRACT NUMBER AND DATE				
		ORDINATION NUMBER AND DATE				
PAYEE'S NAME AND ADDRESS Department of Veterans Affairs OR Farmers Home Administration 8989 Street Address Any Town, USA 69013						
ISSUED FROM _____ TO _____						
QUANTITY AND DATE OF ORDER	DATE OF SERVICE OR SERVICE	ARTICLE OR SERVICES (Enter description, line number of contract or Federal supply schedule and other information deemed necessary)	QUANTITY	UNIT PRICE		AMOUNT (1)
		To reimburse the Dept. of Veterans Affairs or Farmers Home Administration, as applicable, for the transfer of _____ of properties under Section 810 Urban Homesteading Program. Name of Urban Homesteading Agency Enter-Name of City, State, County, etc. Enter-Project Number (See attached listing of property)		UNIT	PRICE	\$XX,XXX.XX
(See instructions on reverse if necessary) (Payee must NOT use the space below)						TOTAL \$XX,XXX.XX
<input type="checkbox"/> CASH <input type="checkbox"/> FEDERAL <input type="checkbox"/> REAL <input type="checkbox"/> PROPERTY <input type="checkbox"/> ADVANCE		APPROVED FOR BY: <i>Richard E. Smith</i> TITLE: Director, CPD Division		BUDGETARY BAR a \$1.00 DIFFERENCES		
Payment in advance noted in no. 1 certifies that the voucher is correct and proper for payment.						
(Date)		(Authorized Company Officer)		(Check)		
ACCOUNTING CLASSIFICATION						
PAY TO THE ORDER OF	CHECK NUMBER ON TREASURER OF THE UNITED STATES		CHECK NUMBER ON (Name of bank)			
	CASH DATE		PAYEE			
* When issued in foreign currency, state name of currency. * If the check is cashed, and authority to approve are contained in one person, one signature only is necessary, unless the approving officer will sign in the space provided over his official title. * Where a voucher is accepted in the name of a company or corporation, the name of the person owning the company or corporation name, as well as the capacity in which he signs, must appear. For example: John Doe Company per John Smith, Secretary or Treasurer. In the case may be.					FBI TITLE	

**Costs Chargeable
to Section 810
for VA/FmHA Properties**

U.S. Department of Housing
and Urban Development
Office of Community Planning
and Development



The cost charged to Section 810 for VA and FmHA properties is either the Fair Market Value or the amount of claim. (This form will accompany the closing package that is transmitted to the RAD.)

Mark one: VA FmHA

Address: _____

PM No. (VA): _____

Advice No. (FmHA): _____

Mark the appropriate box below:

If the fair market value is charged, the computation should include:

a. As-is fair market value, or negotiated lesser amount.	\$
b. Plus closing costs. (Identify the costs below.)	+ \$
c. Minus tax credit adjustment. *	- \$
d. Minus amount paid by LUHA (non-Section 810 -- nominal consideration or amount exceeding the Section 810 funds to be used).	- \$
e. Total to be charged to Section 810.	= \$

If the claim is charged, the computation should include:

a. Amount of the claim.	\$
b. Plus local property taxes to the date of closing for FmHA only. Prepaid taxes are not eligible. VA is not reimbursed for taxes under its claim.	+ \$
c. Plus closing costs. (Identify the costs below.)	+ \$
d. Minus tax credit adjustment. *	- \$
e. Minus amount paid by LUHA (non-Section 810 -- nominal consideration or amount exceeding the Section 810 funds to be used).	- \$
f. Total to be charged to Section 810.	= \$

Other Notes

* The amount charged to Section 810 is reduced if the VA or FmHA gives a credit for taxes in place of the Agency paying the taxes.

HUD AGENCY LOCATION CODES

SELECT THE CODE WHICH CORRESPONDS TO THE ACCOUNTING OFFICE WHICH IS TO BE CREDITED WITH THE WIRE TRANSFER. THE CODE IS TO BE SHOWN IN ITEM 4 OF THE WIRE TRANSFER MESSAGE AND THE LOCATION OF THE ACCOUNTING OFFICE IS TO BE SHOWN IN ITEM 5.

<u>HUD REGIONS (RAD)</u>	<u>SHOW IN ITEM 5</u>	<u>AGENCY LOCATION CODES</u>
I BOSTON	HUD-BOS MA	86-01-0101
II NEW YORK	HUD-NY NY	86-01-0201
III PHILADELPHIA	HUD-PHIL PA	86-01-0301
IV ATLANTA	HUD-ATL GA	86-01-0601
V CHICAGO	HUD-CHI IL	86-01-0701
VI FORT WORTH	HUD-FTW TX	86-01-1101
VII KANSAS CITY	HUD-KC KS	86-01-0801
VIII DENVER	HUD-DEN CO	86-01-0401
IX SAN FRANCISCO	HUD-SF CA	86-01-1201
X SEATTLE	HUD-SEA WA	86-01-0501
<u>HUD HEADQUARTERS (OFA)</u>	HUD-WASH DC	86-01-0300

URBAN HOMESTEADING PROGRAM

(Use Frame C4D for initial input of an approved application, for approval of an annual request to participate, and for obligation of Section 810 funds.)

Frame C4D

FORMS/CPD
RG508/GRANT DATA #4 - ENTITLEMENT (CREATE OR UPDATE)

C16 PRIME UNIT OF GOVERNMENT ID CODE: _____
C100 TYPE GOVERNMENTAL UNIT: _____
(MARK "X" TO CHANGE GRANT NO OR REMOVE ELEMENT VALUES: __)
C200 GRANT NO: - - - - - CHANGE GRANT NO: - - - - -
C201 GRANT TYPE CODE: _____
C242 DATE APPLICATION DUE: ___ / ___ / ___
C246 DATE FULL APPLICATION RECEIVED: ___ / ___ / ___
C248 DATE FULL APPLICATION APPROVED: ___ / ___ / ___
C250 DATE FULL APPLICATION NOT APPROVED: ___ / ___ / ___
C252 REASON NOT APPROVED: _____
C254 GRANT APPROVED: _____
C331 DATE OF OFFICIAL CONTRACT: ___ / ___ / ___
C332 DATE OF NOTIFICATION: ___ / ___ / ___
C961 E COMBINATION UC/MC CODE: _____

NOTE: Write delete (DELETE) in the space provided for data elements to be deleted.

Instructions for the Urban Homesteading Program:

- 1) C10, C100 are qualifiers and will be established already if UOG is an entitlement community.
- 2) C200, Enter Urban Homesteading Program Project No. (e.g. H-89-UH-42-0001BRD).
- 3) C201, Enter "H."
- 4) C246, Enter the date when the full application or the annual request to participate is officially accepted for review in the Field Office.
- 5) C248, Enter the date the approval letter is signed by the Field Office Manager.
- 6) C254, (Upon obligation of funds only) Enter total Section 810 funds spent for all properties to date.
- 7) C331, Enter date of most recent obligation of funds.
- 8) C332, (At the end of the Fiscal Year) Enter the date Congress was notified of the LUHA's funding activity for the year.

URBAN HOMESTEADING PROGRAM

(Use Frame C4E when close out of an Urban Homesteading program has occurred.)

Frame C4E

FORMS/CPD
RG508/GRANT DATA #5 - ACTION (CREATE OR UPDATE)

C16 PRIME UNIT OF GOVERNMENT ID CODE: _____
C100 TYPE GOVERNMENTAL UNIT: _____
(MARK "X" TO CHANGE GRANT NO OR REMOVE ELEMENT VALUES:)
C200 GRANT NO: - - - - - CHANGE GRANT NO: - - - - -
C201 GRANT TYPE CODE: _____
C246 DATE FULL APPLICATION RECEIVED: __/__/__
C262 GRANT REQUESTED FULL APPLICATION: _____
C263 A-APPLICATION HELD IN FIELD OFFICE: __/__/__
C264 A-DATE PROJECT COMPLETED: __/__/__
C269 A-APPLICATION MET THRESHOLD: __/__/__
C270 DATE ACTIVITIES COMPLETED: __/__/__
C271 ACTION TAKEN ON FULL APPLICATION: _____
C273 DATE CLOSED OUT: _____
C274 GRANT AT CLOSE OUT: _____
C275 A-DATE OF GRANTEE OBLIGATION: __/__/__
C276 UNSETTLED THIRD PART CLAIMS: _____
C278 DATE TARGETED FOR COMPLETION: __/__/__
C279 A-DATE START OF CONSTRUCTION: __/__/__
C331 DATE OFFICIAL CONTRACT: __/__/__
C332 DATE OF NOTIFICATION: __/__/__

NOTE: Write delete (DELETE) in the space provided for data elements to be deleted.

Instructions for the Urban Homesteading Program:

- 1) C16, C100 are qualifiers and will be established already if UOG is an entitlement community.
- 2) C200, Enter Urban Homesteading Program Project No.
- 3) C201, Enter "H."
- 4) C273, Enter date of letter of program completion (Chapter 13 and Appendix 25e.3 of Handbook 6400.1, Rev.1).
- 5) C274, Enter cumulative amount of Section 810 funds used by a LUHA to acquire properties.

URBAN HOMESTEADING PROGRAM

(Use Frame C11 for reporting on monitoring visits to LUHAs.)

Frame C11

FORMS/CPD
RG519/MONITORING CONCLUSIONS (CREATE AND UPDATE)

C200 GRANT NO: - - - - (QUALIFIER IN RG508)
(MARK "X" TO CHANGE MONITORING CONCLUSION NO OR REMOVE ELEMENTS:)
C438 MONITORING CONCLUSION NO: _____ (CHANGE MONITORING CONCLUSION
NO: _____)
C439 DATE OF MONITORING VISIT: ___/___/___
C440 DATE OF MONITORING LETTER: ___/___/___
C441 PROGRAM AREA MONITORED: _____
C442 MONITORING TARGET DATE FOR RESPONSE: ___/___/___
C444 MONITORING DATE OF GRANTEE RESPONSE: ___/___/___
C445, C447, C449, C451, C453, C455, C457 MONITORING HUD RESP
DATE: ___/___/___
C446, C448, C450, C452, C454, C456, C458 MONITORING RETARGET
DATE: ___/___/___
C459 MONITORING DATE CLEARED: ___/___/___

NOTE: Write delete (DELETE) in the space provided for data elements to be deleted.

Instructions for the Urban Homesteading Program:

- 1) C200, Enter Urban Homesteading Program Project No.
- 2) C438, Enter monitoring conclusion no., e.g. M9001. (See Handbook 6525.1 Rev. 1)
- 3) C439, Enter date of monitoring visit.
- 4) C440, Enter date Field Office Manager signed letter to LUHA notifying LUHA of monitoring conclusions.
- 5) C441, Enter code indicating areas monitored, such as PRP (Program Progress), MFP (Program Benefit), ELI (Eligibility of Activities), REH (Rehabilitation), etc.

(If there are negative findings, enter data below.)

- 6) C442, Enter date that LUHA's response is due.
- 7) C444, Enter date that LUHA's response is received in the Field Office.
- 8) C445-C457, Enter date of HUD's response to information received from the LUHA.
- 9) C446-C458, Enter new date for LUHA's response to reach unresolved finding.
- 10) C459, Enter date of HUD letter to LUHA clearing or closing a monitoring finding.

Instructions

Monthly Reporting: This report is prepared by the Regional Urban Home-
steading Coordinator for submission to Headquarters. The Regional Coor-
dinator will obtain from the individual Field Offices the number of properties
and dwelling units and dollar amounts of Section 810 funds reserved by
forms HUD-718 and HUD-27002, and will prepare a consolidated report
prior to submission to Headquarters.

Due Date: The first monthly report is due within 30 days after the initial
subassignment of funds to Field Offices for the Fiscal Year. Subsequent
reports are due within 10 days after the end of each month.

Send Reports to:

Director, Urban Homesteading Program
Office of Urban Rehabilitation, CCRP

The results of your reporting will generate a more accurate Annual Report
to Congress and should also assist you in maintaining records on the
current status of properties reserved and funds on hand.

Enclaves

- I. **Field Office:** List each Field Office that has received a subassign-
ment of Section 810 funds.
- II. **Activity During the Current Month:** Under the separate columns (a)
FHA, (b) FmHA, (c) Sec.312, and (d) VA, indicate the total number of
properties, dwelling units, and Section 810 dollar value of properties
for which the Field Office has sent to the RAD forms HUD-27002 and
HUD-718 to reserve funds for properties during the month.
- III. **Activity Fiscal Year to Date:** Under the separate columns (a) FHA,
(b) FmHA, (c) Sec.312, and (d) VA, indicate the total number of prop-
erties, dwelling units, and Section 810 dollar value of properties for
which the Field Office has sent to the RAD forms HUD-27002 and
HUD-718 to reserve funds for properties cumulative for the fiscal year
to date.
- Note: As closings occur, adjustments should be made if the reserved
amount differs from the amount actually expended at closing.
- IV. **Totals:** Total each column.
- V. **Totals for the Month:** Indicate from item II, columns (a), (b), (c), &
(d), the total number of properties, dwelling units, and Section 810
dollars for the month.
- VI. **Totals for the Fiscal Year:** Indicate from item III, columns (a), (b), (c),
& (d), the total number of properties, dwelling units, and Section 810
dollars for the fiscal year.
- VII. **Amount Unreserved:** Indicate the amount of Section 810 funds which
have not been reserved by forms HUD-718 and HUD-27002 for
specific properties and which are still available for allocation in the
Region.
- VIII. **Total Allocation:** Indicate the total amount of Section 810 funds
assigned to the Region in the fiscal year to date. This figure should
equal the sum of Section 810 totals in items VI and VII.

End-of-Fiscal Year Adjustments: At the end of the fiscal year (Septem-
ber), provide the exact number of properties, dwelling units, and dollar
amounts for which actual closings were held during the fiscal year.
Reminder: The forms HUD-718 and HUD-27002 are reservation
documents, not obligation documents. All closings must be held by
September 30. The closing is the point of obligation of Section 810
funds.

**Annual Report of
LUHA Funds Use**

U.S. Department of Housing
and Urban Development
Office of Community Planning and Development



Section 810 Regional Report

Section 810 Urban Homesteading

Region:	Prepared by:	FIS Telephone No.:	Date:
---------	--------------	--------------------	-------

Feds, Cities and LHA's	(1) FHA Property Source			(2) FmHA Property Source			(3) Sec. 812 Property Source			(4) VA Property Source		
	Prop.	CU	Sec. 810 Funds	Prop.	CU	Sec. 810 Funds	Prop.	CU	Sec. 810 Funds	Prop.	CU	Sec. 810 Funds

Instructions

This report is prepared by the Regional Urban Homesteading Coordinator for submission to Headquarters. The Regional Coordinator will obtain from the Field Offices the number of properties, dwelling units and dollar amounts of Section 810 funds expended over the Fiscal Year by each Local Urban Homesteading Agency (LUHA). These figures must be based on actual property transfers and obligations of Section 810 funds as reflected on the form HUD-9589, Transmittal of Closing Information, and similar closing documents from FmHA and VA.

The Regional Coordinator should summarize Field Office responses into a consolidated report prior to forwarding it to Headquarters. The Annual Report is due October 15 and should be sent to:

Director, Urban Homesteading Program
Office of Urban Rehabilitation, CCRP

Column Entries

Field Offices and LUHAs: List each Field Office, in caps and underlined. Under each Field Office, list its participating LUHAs that acquired properties with Section 810 funds during the Fiscal Year.

Sources of Properties: Under the appropriate source columns for each LUHA, list the total number of properties, dwelling units, and the amount of Section 810 funds used at closing.

Total: For each Field Office subtotal all columns. These subtotals should equal the corresponding figures for the Field Office in Section III, Activity Fiscal Year to Date, in the September Monthly Report of Regional Funds Use, form HUD-40064-B.

At the bottom (of the last continuation page) of the report total all columns. These totals (the sum of all Field Office subtotals) should equal the Regional totals for Activity Fiscal Year to Date in the September Monthly Report of Regional Funds Use, form HUD-40064-B.

**Report on Distribution
of Disbursements
Urban Homesteading Program**

U.S. Department of Housing
and Urban Development
Office of Finance and Accounting



RMS HI-00513R

Reporting Month & Year	Region (number & name)	Amount	Number of Properties
1. Disbursed for FHA properties		\$	
2. Disbursed for VA properties		\$	
3. Disbursed for FmHA properties		\$	
4. Disbursed for Other properties		\$	
5. Total (sum of lines 1, 2, 3, and 4)		\$	
6. Total disbursed in current month as shown on PAS Report ABCVCA		\$	
Prepared by:	Approved:	Date:	

* Amounts shown on lines 5 and 6 must agree.

NAME OF LOCALITY _____

NAME OF DESIGNATED ADMINISTERING AGENCY _____

LUHA PROJECT NUMBER _____

SUGGESTED GUIDE FOR IN-DEPTH MONITORING
OF LOCAL URBAN HOMESTEADING PROGRAMS

OBJECTIVES: The objective of monitoring is to determine local program compliance with HUD requirements, help Local Urban Homesteading Agencies (LUHAs) become aware of deficiencies and to improve their productivity, efficiency, effectiveness and overall management.

While the monitor is not required to use this guide, the monitor must nevertheless conduct a similar quality review of the selected activities and maintain comparable documentation that addresses all of the issues that are raised in this guide.* This guide provides added information in certain areas so that monitors with limited program familiarity can do a thorough review. Items identified with a bracket [] are the same questions noted in the CPD Monitoring Handbook for a Limited Monitoring Review of Local Urban Homesteading Programs. The Field Office should use both guides, as appropriate, in reviewing the performance of the LUHA. Where deficiencies are found, the Field Office should be able to provide guidance and technical assistance.

Questions preceded by an asterisk (*) are not statutory or regulatory requirements, but will assist the reviewer in identifying issues that if not properly addressed could result in deficient performance. Therefore, a negative conclusion to an asterisked question may result in a "concern" being raised rather than a "finding."

MONITORING PROCESS: Prior to the on-site monitoring of the grantee, the monitor should review the most recent UHPMIS quarterly Property and Progress Reports to determine the level of program activity and the steps in program administration, if any, where the grantee has had difficulty moving to the next stage. The monitor also should

(This is not a required HUD form.*)

review the LUHA's application, subsequent amendments, and previous monitoring reports, as well as the Field Office's records of any public complaints that may have been received about the local program.

PART A, Limited and In-depth Monitoring of the Urban Homesteading Program includes: program design and administration, funds management, property selection, homesteader selection, rehabilitation financing, time frames for property transfer and rehabilitation, rehabilitation standards, and neighborhood improvements, fee simple conveyance and compliance with other Federal Regulations.

PART B, Limited and In-depth Review of Individual Urban Homesteading Cases, involves an in-depth review of the homesteader file. A separate PART B is required for each case.

PART A: LIMITED AND IN-DEPTH MONITORING OF THE URBAN HOMESTEADING PROGRAM

	YES	NO
1. <u>Passage of an Official Act to Conduct a Program</u>	___	___
a. Does the LUHA have on file the adoption or passage of an official act, resolution, motion, or similar action authorizing the filing of the application (except for States)? Type _____ Date _____	___	___
b. Does this document refer to all understandings and assurances contained in the Certifications under 24 CFR Part 590.11(d). If not, the governing body should be requested to redraft the document for formal adoption. Certifications are required only at the initial application and they include assurances of performance and adherence to statutory requirements. The Certifications imposed under the amended regulation, 24 CFR Part 590, which was effective August 2, 1985, were modified following the effective date of July 17, 1989 of the revised regulation implementing the 1987 Housing and Community Development Act Amendments. LUHAs were required to submit new Certifications with their Annual Requests for Program Participation due August 1, 1989.	___	___

YES NO

2. Adequate Administrative Organization

a. Does the LUHA have an adequate administrative organization capable of carrying out the program functions noted below in a timely and cost-effective manner? _____

Are the four individual areas listed below covered?

1) policy making--defining goals, preparing program procedures, preparing the application. _____

2) legal oversight--signing the Urban Homesteading Agreement with HUD, accepting title to homestead properties from HUD, VA and/or FmHA, and making conditional and final conveyance of properties to homesteaders. _____

3) program operations--responsibility for actually administering the program, selection of properties and homesteaders, arranging rehabilitation financing, managing and monitoring rehabilitation, and monitoring compliance with the Homesteader Agreement. _____

4) support services--provide auditing, accounting, etc. services, serve on boards for homesteader selection, inspect properties and offer technical assistance. _____

These functions may be consolidated in one agency or qualified community organization or provided by separate entities coordinated by the operating agency or qualified community organization. A written agreement between the LUHA and a separate entity performing functions in the urban homesteading program is required by 24 CFR 590.7(c)(1). If funded by CDBG funds, such agreement must also meet CDBG requirements.

	YES	NO
b. Are staff commitments and capabilities adequate to implement the workload and program design? (In each functional area the reviewer should look at the timing and volume of work compared to the number of staff and hours available.)	—	—
*[c.] Is there an effective accounting system in place to monitor use of Section 810 funds?	—	—
d. Are administrative costs reasonable compared to the volume of production? (Accounting systems should be in place to accurately reflect costs and benefits for easy review by management.)	—	—
[e.] Is a tracking system in place to monitor each phase of the homesteading process? The LUHA should be utilizing the UHPMIS to track the status of all homesteading properties (only federal and local properties acquired with Section 810 funds) and sending these reports to Headquarters each quarter.	—	—
*[f.] Are there written procedures for resolving homesteader disputes and have they been implemented?	—	—

3. Property Selection and Rehabilitation

Suitability for homesteading and rehabilitation should be directly related to the goals of the program in the target neighborhood.

- o If the primary goal is to provide housing for lower income families, rehabilitation costs must be kept at a certain level either by special financing arrangements or public subsidy, or by selection of properties requiring less rehabilitation. The availability of such financing will dictate the type of property selected, although the rehab cost should generally not exceed the ultimate market value of the home.

YES NO

o Selection of too many high value properties (at or above the \$25,000 limitation) usually means rapid depletion of Section 310 resources and selection of too many low value properties usually means high rehab costs, both of which limit production and program impact and should be avoided.

a. Does the LUHA have established procedures for selecting and accepting properties? (Are properties located within an area covered by a coordinated plan for neighborhood improvement?

[b.] Is the LUHA inspecting properties prior to taking title from HUD, VA or FmHA?

[c.] Is the LUHA selecting properties within the 21-day period of notification that a property is available from HUD, and the 30-day period of notification from VA, or FmHA? If not, explain: _____

[d.] Is the LUHA closing on HUD properties within 30 days of selection and VA/FmHA within 30 days of the reservation of funds? Are extensions of time being requested?

Reason: _____

[e.] Is the LUHA securing and managing properties after acquisition to prevent further deterioration and vandalism to properties and to prevent injury to persons or property prior to transferring them to homesteaders?

What is being done? _____

	YES	NO
*[f.] Is the LUHA holding properties in inventory for longer than 1 year prior to conditionally conveying them to homesteaders, unless otherwise approved by HUD prior to conditional conveyance? (Generally a property should be transferred to a homesteader within 6 to 8 months of acquisition from the Federal Agency.)	—	—
*[g.] Does the LUHA currently have a significant number of properties in inventory? How many? _____ Reason: _____	—	—
[h.] Are rehabilitation costs on homestead properties affordable to homesteaders? Average cost of rehabilitation: \$ _____.	—	—
[i.] Is rehabilitation to meet health and safety standards completed within one year of conditional conveyance to the homesteader?	—	—
[j.] Is rehabilitation to meet local code standards completed within three years of conditional conveyance to the homesteader?	—	—
[k.] Are property acquisition values within the current Section 810 regulatory limit of \$25,000, unless an exception has been granted for the property by the HUD Field Office?	—	—
[l.] Has an exception been requested and granted to exceed the \$25,000 value for the use of Section 810 funds? To what value? \$ _____	—	—
*m. Are exceptions being granted to acquire one-unit properties that exceed \$35,000 of Section 810 funds for other than very large families? If yes, explain _____	—	—

YES NO

4. Rehabilitation Financing

[a.] Does the LUHA offer assistance to the Homesteader in securing rehabilitation financing?

Specify source(s): _____

5. Homesteader Selection

The general guidelines for homesteader selection procedures are that they are fair and nondiscriminatory and that they give special attention to the applicant's need for housing and the capacity of the applicant to make the required repairs. Further, the statute requires LUHAs to assure that homesteaders own no other residential property, and that LUHAs give special priority to applicants who are lower-income families as defined in section 3(b)(2) of the United States Housing Act of 1987.

[a.] Does the LUHA have a plan for publicizing its program which reaches the intended target group of beneficiaries? Are affirmative marketing techniques used as appropriate?

*b. Is the LUHA awarding a substantial majority of properties to priority applicants?

Indicate percentage, if possible. _____

[c.] Is the LUHA assuring that there is no qualified priority applicant for a property before awarding it to a non-priority applicant?

[d.] Are the eligibility criteria and the screening process for homesteader selection designed to eliminate the opportunity for fraud, favoritism, political pressure, and discrimination on the basis of race, creed, color, sex, age, handicap or national origin?

	YES	NO
*e. If a lottery is not used for the selection of homesteaders and a selection committee is used, is it composed of a majority of persons from outside the target neighborhood and of members without political responsibilities?	_____	_____
f. Does the LUHA charge a nominal application fee, such as the cost of a credit report? Amount _____	_____	_____
[g.] Is the property size generally appropriate for the size of the homesteader's family?	_____	_____
[h.] Does the LUHA permit sweat equity where it is clear that the homesteader is capable of performing some tasks?	_____	_____
[i.] Based on income levels and racial/ethnic characteristics, are homesteaders being steered to a neighborhood as opposed to being given a choice of neighborhoods.	_____	_____
*j. Is there a publicized plan for dealing with and resolving complaints about the homesteader selection process?	_____	_____
6. <u>Conditional Conveyance without Substantial Consideration</u>		
Form of conditional conveyance instrument used by the LUHA: _____		
[a.] Does the LUHA charge a nominal fee for properties at the time of conditional conveyance? Amount _____.	_____	_____
b. Are other costs, e.g., recording fees, transfer taxes, property taxes, insurance, etc., at the time of conditional conveyance paid by the homesteader? What are the costs? _____ _____ _____	_____	_____

	YES	NO
(Are they costs that are uniformly applicable to other purchasers of property in the jurisdiction?) If not, explain. _____ _____ _____	---	---

7. Homesteader Agreement

- | | | |
|--|-----|-----|
| *a. Does the LUHA record agreements if they are not incorporated by reference into the conditional conveyance document? | --- | --- |
| [b.] Does the LUHA monitor compliance with the Homesteader Agreement to ensure that the homesteader is able to meet the milestones of rehabilitation and initial occupancy? | --- | --- |
| [c.] Does the LUHA continue to monitor the residency requirement of the Homesteader Agreement after rehabilitation is complete through the end of the 5-year period? (This must be done at least once a year.) | --- | --- |
| d. If problems arise, does the LUHA provide technical assistance, counseling, and/or financial guidance to prevent any material breach of the Agreement? | --- | --- |

8. Conveyance of Property in Fee Simple to Homesteaders

- | | | |
|--|-----|-----|
| [a.] Is the LUHA transferring properties to homesteaders in fee simple immediately upon full compliance with all conditions of the Homesteader Agreement, including the occupancy requirement?

If no, give reason. _____
_____ | --- | --- |
|--|-----|-----|

9. Plan for a Coordinated Approach Toward Neighborhood Improvement (Neighborhood Selection)

- | | | |
|---|-----|-----|
| a. Is the plan a written document, approved by the local governing body with citizens given the opportunity to comment on it? (This plan may be in various forms, but should be located in one file.) | --- | --- |
|---|-----|-----|

	YES	NO
b. Does the plan provide for		
*1. An analysis of neighborhood conditions; (This should include information on the availability, location, condition, and general value of properties; trends in abandonment, default and foreclosure; general socioeconomic characteristics of residents; physical condition of infra- structure and facilities; predominant physical condition and tenure of housing stock; and degree of community interest and participation.	—	—
2. Goals for each Urban Homesteading neighborhood; (*Is the program achieving its intended results? Goals should be in conformance with the locality's overall community development goals.)	—	—
3. Coordinated activities in homestead areas; (The amount and kind of activity depends upon the size of the locality's annual budget.)	—	—
[a.] Has the LUHA selected a neighborhood(s) that is suitable for homesteading (i.e., does the neighborhood reflect a signifi- cant number of abandoned federal proper- ties) and where there is the upgrading of community services and facilities in combination with other public or private revitalization efforts affecting the neighborhood?	—	—
*b. Has the locality implemented, through either CDBG or other revenue sources, a program of physical and infrastructure improvements in connection with housing and revitalization activities, such as street improvements, parks, public facilities, water/sewer, where applicable?	—	—
*c. Does the area appear to be receiving an appropriate emphasis in the provision of standard governmental services, such as police, fire, etc.?	—	—

	YES	NO
*d. Is the area receiving the benefit of environmental services such as trash pick-up, code enforcement, etc.	—	—
*4. Implementation steps and schedules; (This should define the responsible persons and timetables.)	—	—
*5. Resources (Public and Private); (This should be tied to 3. above and the available sources of funding.)	—	—
*6. Evaluation system and schedule; (This should monitor progress on implementation, and analyze goal achievement on a fixed schedule.)	—	—
*7. Revision mechanism; (Feedback from the evaluation should be used to plan and design program changes and improvements or indicate a need for closeout. Also a mechanism for citizen input and complaint resolution to revise the plan should be in place.)	—	—

[10.] Citizen Participation

Are citizens provided an adequate opportunity to express preferences about the proposed location of the urban homesteading neighborhood(s) and to comment on the plan for a coordinated approach to neighborhood improvement? (Does the LUHA publicize the initiation of any changes in the program in local media, and provide a place and time convenient for working individuals to state their views in person or in writing?)

— —

11. Lead-based Paint Procedures

a. Does the LUHA notify potential homesteaders of the hazards of lead-based paint poisoning in residential units constructed prior to 1978, and inform them about the results of inspections and what rehabilitation is required to correct "immediate hazards" on "applicable surfaces"?

— —

- | | YES | NO |
|---|-----|----|
| b. Does the LUHA prohibit the use of lead-based paint in the rehabilitation of properties? | — | — |
| c. Does the LUHA inspect all pre-1978 properties for the hazard of lead-based paint poisoning and either through its own resources or through the rehabilitation undertaken by the homesteader assure that the "immediate hazards" on "applicable surfaces" are eliminated? | — | — |

12. Flood Insurance Purchase Requirements

- | | | |
|---|---|---|
| a. Do all homesteading properties subject to the Flood Disaster Protection Act have the requisite flood insurance coverage? | — | — |
| b. Does the LUHA have on file "proof of purchase" forms issued by the National Flood Insurance Program for homesteaders whose homes are located within a special flood hazard area? | — | — |

 Date of Review

 Reviewer

 Title of Reviewer

PART B: IN-DEPTH REVIEW OF INDIVIDUAL URBAN HOMESTEADER CASE
APPLICATION FILE REVIEW

Name of LUHA _____

Address of Property _____

	YES	NO
*[13.] Is the urban homesteader's application complete?	___	___
[a.] Is the property within the approved Urban Homestead area?		
*b. Is the name of the applicant and address of the property shown?		
[c.] Is there appropriate verification of the applicant's income and eligibility?		
[d.] What is the homesteader's income? \$ _____		
Does the homesteader meet the priority selection criteria (below 80% of median income for the area)?	___	___
[e.] How many family members occupy the property? _____		
[f.] The property contains ____ bedrooms.		
*14. What are the source(s) and amount of funds used for financing the rehabilitation?		

[a.] Did the homesteader contribute any sweat equity?	___	___
[b.] What type(s) of work was performed by the homesteader?		

15. Is there a construction contract or equivalent document in the file?	___	___

	YES	NO
[a.] Does the construction contract specify all of the work to be performed, either directly or by reference to another document in the file (such as a work write-up or list of improvements) which specifies all the work to be performed?	—	—
b. Are the work specifications consistent with applicable local standards for decent, safe and sanitary housing?	—	—
[c.] Does the construction contract state the cost of work to be performed?	—	—
16. If the amount charged to the Section 810 account was more than \$25,000 for a one-unit property, is there an individual property authorization from the Field Office Manager for transfer of the property? (A program-wide authorization to exceed the \$25,000 value may have been granted instead of a property-specific authorization on properties acquired prior to FY 1989.)	—	—
[17.] Does the homesteader's file include all appropriate legal documents, i.e., conditional conveyance or the equivalent, homesteader agreement (if separate) and fee simple deed (where applicable)?	—	—
18. Processing dates and time:		
[a.] What is the date of HUD, VA, or FmHA conveyance of the property to the LUHA?	_____	, 19 ____
[b.] What is the date of conditional conveyance of the property from the LUHA to the homesteader?	_____	, 19 ____
[c.] What is the date on which rehabilitation construction started?	_____	, 19 ____
[d.] What is the date that the property was determined to meet health and safety standards?	_____	, 19 ____

YES NO

How many months between b. and d.? _____ months
(This must not exceed 1 year.)

[e.] What is the date that the property was determined to meet local standards for decent, safe, and sanitary housing--the date of final inspection? _____, 19 __

How many months between b. and e.? _____ months
(This must not exceed three years.)

How many months between c. and e.? _____ months

[f.] What is the date of actual physical occupancy by the homesteader? (This may differ from the occupancy permit.) _____, 19 __

Urban Homesteading Property Inspection

Answers to questions 21-27 must be based on an on-site property and neighborhood inspection only, including an interview with the homesteader.

19. Does the on-site property inspection confirm that the rehabilitation work was done according to the rehabilitation contract or equivalent document, including any change orders? _____

20. Is the homesteader satisfied with the work performed? (Homesteader should be offered the opportunity to be interviewed with only HUD personnel present.) _____

21. Was the homesteader offered an opportunity to select the neighborhood in which he/she lives, consistent with property availability in approved neighborhoods? _____

If not, explain: _____

- | | YES | NO |
|--|-----|----|
| 22. Did the homesteader receive counseling/
training from the LUHA that covered his/her
responsibilities as a homesteader, financial
management of a home, and general maintenance
techniques? | — | — |
| If yes, indicate type of counseling/training.
_____ | | |
| 23. Based on a tour of the neighborhood, is there
evidence that public improvements, to which the
LUHA certified in the Urban Homesteading applica-
tion, being accomplished? | — | — |
| 24. Is the homesteader the occupant in
residence? | — | — |

SUMMARY AND EXPLANATION OF COMMENTS:

REMEDIAL ACTIONS TO BE TAKEN:

(If additional space is necessary, continue on separate sheets and attach to this form.)

Date of Review

Reviewer

Title of Reviewer

ROTAMCA		HUD PROPERTY DISPOSITION PROGRAM												MAY	JUN	JUL	AUG	SEPT
		ACQUIRED HOME PROPERTIES MONTHLY REPORT																
PART 1 - STATUS OF INVENTORY		SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT				
1. ON HAND BEGINNING OF MONTH - TOTAL		6,187	6,557	6,718	6,810	7,137	7,498	7,994	8,545	8,785	9,676	9,638	8,972					
235		26	28	25	22	21	20	20	21	23	29	27	30					
CORE PROPERTIES		45	43	37	38	31	28	40	49	50	43	38	26					
VACANT LOTS		1	1	1														
2. ACQUIRED DURING MONTH - TOTAL		859	724	849	749	714	1,120	1,008	819	1,550	956	681	1,153					
235		1		1	1		1		3	6	3	4	1					
3. CLOSED DURING MONTH - TOTAL		457	583	313	436	337	585	449	471	707	988	1,345	1,644					
A. PREVIOUSLY INSURED 235			3	1	2	1	1		1		5	1	3					
(1) SOLD 235																		
(2) NOT SOLD 235			3	1	2	1	1		1		5	1	3					
B. SOLD 235		10	3															
C. SOLD TO DISPLACEES		1								1	3	1	1					
D. VACANT LOTS																		
E. CORE PROPERTIES		2	7	3	8	7	3	3	3	10	6	12	9					
F. PROPERTIES INCLUDED - UNDER BULK SALE																		
G. TRANSFERRED FOR URBAN HOMESTEADING				1										8				
4. ON HAND END OF MONTH - TOTAL		6,189	6,302	6,836	7,123	7,514	8,033	8,553	8,893	9,628	9,644	8,974	8,481					
235		27	25	24	21	20	20	20	23	29	27	30	28					
CORE PROPERTIES		43	36	34	30	24	26	41	46	40	37	26	17					
VACANT LOTS		1	1	1														

DENVER(051,471,591)

SAMPLE

(Approval Letter for New LUHA - Prior to Availability of Funds)

Honorable _____
Mayor of _____
City, State Zip _____

Dear Mayor _____:

SUBJECT: Approval of Urban Homesteading Program

We are pleased to announce that your Urban Homesteading Program Application has been approved. Enclosed are _____ copies of the Urban Homesteading Program Participation Agreement (HUD-40051). This Agreement constitutes the contract between the Department of Housing and Urban Development and _____ (the applicant), and the _____ (administering agency, if applicable). All copies are to be executed by you and the Chief Executive Officer of the designated administering agency, if applicable. Please return two executed originals to this office as soon as possible.

As you know, Section 810 funds are used to reimburse HUD/FHA for properties transferred for Urban Homesteading. In addition, Section 810 funds may be used to reimburse the U.S. Department of Veterans Affairs (VA) and the Farmers' Home Administration (FmHA) for properties in their inventories eligible for Urban Homesteading purposes. The maximum value to be charged to Section 810 shall not exceed \$25,000 for each property, except as otherwise approved by this office for a specific property.

At the present time, Section 810 funds are unavailable due to _____. We will notify you when funds are available, at which time you will be able to acquire HUD/FHA properties from the _____ Office (or VA properties from _____ or FmHA properties from _____). These funds will be made available to our local urban homesteading agencies as properties become available on a first-come, first-served basis.

You are reminded that the implementation of the program will be monitored by our office. Our monitoring will concentrate on the items contained in the Certifications and your approved application.

Should you have any questions regarding this matter, please call _____, Urban Homesteading Coordinator, at () _____.

Sincerely,

Manager or CPU Director

SAMPLE

(Follow-up Letter Indicating the Availability
of Funds for New LUHAs)

Honorable _____
Mayor of _____
City, State Zip

Dear Mayor _____:

This is a follow-up to my letter dated _____ wherein we notified you that your application for an Urban Homesteading Program had been approved.

The _____ Field Office has received \$ _____ in Section 810 funds. A set-aside of \$ _____ is earmarked for your City for 60 days from the date of this letter. Thereafter, if any of these funds are unused, you will compete for them with the other Local Urban Homesteading Agencies within this Field Office's jurisdiction on a first-come, first-served basis.

You may proceed to acquire properties following these procedures. The maximum value of each Urban Homesteading property to be charged to Section 810 shall not exceed \$25,000, except as otherwise approved by this office for a specific property. Property title transfer to the locality may not be made until you submit a "Verification of Fund Availability" (form HUD-40050) to the Urban Homesteading Coordinator in this office. You will receive from him/her a separate "Funds Reservation and Contract Authority" (form HUD-718) indicating that funds have been reserved for each property that you wish to acquire. The property closing can then take place. Copies of the HUD-40050 are enclosed. Please be cognizant that any unobligated funds (where the property transfer has not yet occurred, even though funds may have been reserved by a HUD-718) will be recaptured by HUD as of September 30. Please note your Urban Homesteading project number _____ which must appear on all program forms and documentation.

In addition, upon acquisition of your first Section 810 property, you must begin reporting in HUD's Urban Homesteading Program Management Information System (UHPMIS). Enclosed is a form HUD-40063, Property Addition form, and HUD-40063-A, Instructions for Updating the Quarterly Property Report and the Quarterly Progress Report. These forms are sent directly to HUD Headquarters in Washington, D.C. If you are delinquent or fail to submit updated reports on a regular basis, as required, then we may withhold additional funds until the reports are filed. These reports measure LUHA performance.

6400.1 REV-1
APPENDIX 26B

We also wish to remind you that according to 24 CFR 590.11(b), "Annual Request for Program Participation," you must notify this HUD Field Office in writing on or before August 1, 19__, and annually thereafter, if you wish to continue to participate in the Urban Homesteading Program.

If you have any questions, please call _____, Urban Homesteading Coordinator, at (____) _____.

Sincerely,

Manager or CPD Director

Enclosures

SAMPLE

(Approval Letter with Funding for New LUHAs)

Honorable _____
Mayor of _____
City, State Zip _____

Dear Mayor _____:

SUBJECT: Approval of Urban Homesteading Program
Project No. _____

I am pleased to announce that your Urban Homesteading Program application has been approved.

Enclosed are _____ copies of the Urban Homesteading Agreement (HUD-40051) which constitutes the contract between the Department of Housing and Urban Development and _____. All copies must be executed by you and the Chief Executive Officer of the designated administering agency, if appropriate. Please return two executed originals to this office as soon as possible. You may accept properties from the HUD _____ Office (or VA properties from _____ or FmHA properties from _____) as soon as the agreement is executed and received by HUD. The maximum value of each Urban Homesteading property to be transferred shall not exceed \$25,000, except as otherwise approved by this office for a specific property.

This office was assigned \$ _____ in Section 810 funds this fiscal year. A set-aside of \$ _____ is earmarked for your City for 60 days from the date of this letter. Thereafter, if any of these funds are unused, you will compete for them with our other Local Urban Homesteading Agencies as properties become available on a first-come, first-served basis. Property title transfer to the locality may not be made until you submit "Verification of Fund Availability" (form HUD-40050) and receive from us a signed "Funds Reservation and Contract Authority," form HUD-718, indicating that funds are reserved and available for the individual property. A supply of the form HUD-40050 is enclosed for your use. Any unobligated funds (where the property transfer has not occurred, even though funds may be reserved by a HUD-718) will be recaptured at the end of the fiscal year. Please note your Urban Homesteading project number (_____) which must be used on all program forms.

Upon acquisition of your first Section 810 property, you must begin reporting in HUD's Urban Homesteading Program Management Information System. Enclosed is a form HUD-40063, Property Addition form, and HUD-40063-A, Instructions for Updating the Quarterly Property Report and the Quarterly Progress Report. These forms are sent directly to HUD Headquarters in Washington, DC. If you are delinquent or continuously fail to submit updated reports, as required, then HUD may withhold additional funds until the reports are filed. These reports measure LUHA performance.

We also wish to remind you that according to 24 CFR 590.11(b), "Annual Request for Program Participation," you must notify the HUD Field Office in writing on or before August 1, 19___, and annually thereafter, if you wish to participate in the Urban Homesteading Program.

Should you have any questions, please call _____,
Urban Homesteading Coordinator, at (____) _____.

Sincerely,

Manager or CPD Director

Enclosure

SAMPLE

(Annual Approval)

Honorable _____
Mayor of _____
City, State Zip _____

Dear Mayor _____:

SUBJECT: Approval of Fiscal Year _____ Urban Homesteading Program
Annual Request for Participation, [City, State], Project
No. _____

This is in response to your letter dated _____ in which you request approval for the City of _____ to participate in the Urban Homesteading Program in FY _____. I am pleased to notify you that your request has been approved. At this time the FY _____ budget for the U.S. Department of Housing and Urban Development has not been approved, so the funding level has not been established. You will be notified of funding availability at a later date.

In accordance with 24 CFR 590.11(b) and 24 CFR 590.13(b), the Urban Homesteading Agreement executed in FY _____ is in effect for another year. The same terms, conditions, and assurances remain in effect with respect to the use of Section 810 funds.

As in the past, you must submit a HUD-40050, Verification of Fund Availability, to the HUD Urban Homesteading Coordinator to identify the property(ies) that you have selected for your program, and receive from us a signed HUD-718, Funds Reservation and Contract Authority, indicating that funds are reserved and the closing can take place. Any unobligated funds (where the property transfer has not occurred, even though funds may be reserved by a HUD-718) will be recaptured at the end of the fiscal year. Please note that the new Urban Homesteading number for _____ (City) this fiscal year is _____ (no hyphens).

As you know, Section 810 funds are used to reimburse the HUD/FHA, VA, and/or FmHA for properties in their inventories that are eligible for urban homesteading. The maximum value of each Urban Homesteading property to be transferred should not exceed \$25,000, except as otherwise approved by this office for a specific property.

6400.1 REV-1
APPENDIX 26D

We also wish to remind you that in accordance with 24 CFR 590.11(b), you must notify this HUD Field Office in writing on or before August 1, 19____, and annually thereafter, if you wish to participate in the Urban Homesteading Program in the upcoming fiscal year.

If you have any questions about this letter, please call _____ at (____) _____.

Sincerely,

Manager

SAMPLE
(For Involuntary Closeout)

Date

Honorable _____
Mayor of _____
City, State Zip

Dear Mayor _____:

SUBJECT: Pending Closeout of City of _____ Urban Homesteading
Program, Project No. _____

This letter informs you that the Department of Housing and Urban
Development is initiating closeout of the City's Urban Homesteading
Program in accordance with 24 CFR 590.23, due to [give explanation].

Please be advised that you have an opportunity to inform this
office in writing within 30 days of receipt of this letter of any
circumstances that would make this action unwarranted. In the interim,
please feel free to contact _____ of my staff at
(____) _____.

Sincerely,

Manager

SAMPLE

(Initiation of Closeout -- Lack of Properties)

Date

Honorable _____
Mayor of _____
City, State Zip

Dear Mayor _____:

SUBJECT: Initiation of Closeout of City of _____ Urban
Homesteading Program, Project No. _____

This letter initiates closeout proceedings for your Urban Homesteading Program under 24 CFR 590.23. The reason for closeout is the lack of suitable Federal properties due to local market conditions wherein the Federal property foreclosures have diminished and homesteading is no longer viable nor cost effective.

Under the terms and conditions of the Urban Homesteading Agreement executed on _____, the LUHA continues to be obligated with respect to the conditional conveyance, monitoring, and final conveyance of properties to homesteaders even after closeout until all properties are conveyed fee simple to homesteaders. In order for HUD to close out the program, we must be certain that all program requirements have been met. Therefore, we request the following:

1. A report on all properties that were conveyed fee simple to homesteaders prior to implementation of the UHPMIS in FY 1986 if they were not entered into the UHPMIS. Information on each property must include the
 - (a) property address;
 - (b) Section 810 drawdown amount;
 - (c) date of transfer from the Federal agency to the LUHA;

- (d) date of final conveyance;
 - (e) disposition of property if not homesteaded, the date of HUD approval, and the alternative use.
2. Updated UHPMIS Quarterly Property and Progress Reports for all properties that have not been conveyed fee simple.
 3. A plan for program management after closeout that includes a schedule until all properties have been conveyed fee simple. Please furnish the name, title, department, and telephone number of the contact person responsible for oversight.

Please make the above items available to us within ___ days [months]. Upon review of this, we will issue a letter of program completion. If you should have any questions, please contact _____, Urban Homesteading Coordinator, in this office at (____) _____.

Sincerely,

Manager

SAMPLE

(Letter of Program Completion and Closeout)

Date

Honorable _____
Mayor of _____
City, State Zip

Dear Mayor _____:

SUBJECT: Urban Homesteading Program Completion, City of _____
Project No. _____

This letter responds to your letter of _____
submitting information for our approval of program completion and
closeout.

We approve your management plan as submitted. Final program
closeout is conditioned upon:

1. Monitoring of the milestones of the remaining _____ properties
through final conveyance;
2. Updating of the JHPMIS Quarterly Property and Progress Reports
and their timely submission to Headquarters;
3. Monitoring and enforcing the Homesteader's Agreement with
homesteaders. This includes confirming continued occupancy
and follow-through on any rehabilitation loan delinquencies.
This may entail, if necessary, finding a new homesteader in
the event of a breach of the Homesteader Agreement, or
obtaining approval from HUD for alternative use for a property
if re-homesteading proves to be infeasible.
4. If applicable, flood insurance coverage for any affected
property owner must be maintained for the mandatory period;
5. etc.

If you should have any questions, you may contact _____,
Urban Homesteading Coordinator in this office, at (___) _____.

Sincerely,

Manager

SAMPLE

FINAL CLOSEOUT LETTER

(After all properties are conveyed fee simple to homesteaders)

Date

Honorable _____
Mayor of _____
City, State Zip

Dear Mayor _____:

This letter confirms final closeout of the City of _____
Urban Homesteading Program. All requirements under the original Urban
Homesteading Agreement and our letter of program completion dated
_____ have been met.

We look forward to working with you in future HUD programs.

Sincerely,

Manager

U.S. Department of Housing and Urban Development
7th & D Street S.W.
Washington, D.C. 20410-3000

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Special Attention of:

Regional Administrators
Category A Field Office Managers
Attention:
Regional CPD Directors
CPD Division Directors
CDBG Grantees

Transmittal Handbook No.: Handbook No 650

Issued: September 1988
Revised: December 1988
Reprinted: May 1989

-
1. This Transmits a reprint of Handbook 6500, Community Development Block Grant Program Entitlement Grant Regulations.
 2. Explanation of materials:

This reprint contains no new material. It is a reprint of the Handbook dated 9/88 and includes the update of Subpart J dated 12/88. Because of equipment changes, the print on this reprint is slightly different than the previous edition. As a result some of the page breaks may vary by one or two lines from the previous edition. To avoid confusion between the two printings, the pages in this reprint are dated 5/89. However, there are no substantive differences with the previous material. Handbooks with pages dated 9/88 with the 12/88 Subpart J pages inserted should continue to be used.



Program Participants and Departmental Staff

September 1988

Community Development Block Grant Program

Entitlement Grant Regulations

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Assistant Secretary
for
Community Planning and Development

24 CFR Part 570

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

FINAL RULE

as published in the

FEDERAL REGISTER

[53 FR 34437; September 6, 1988]

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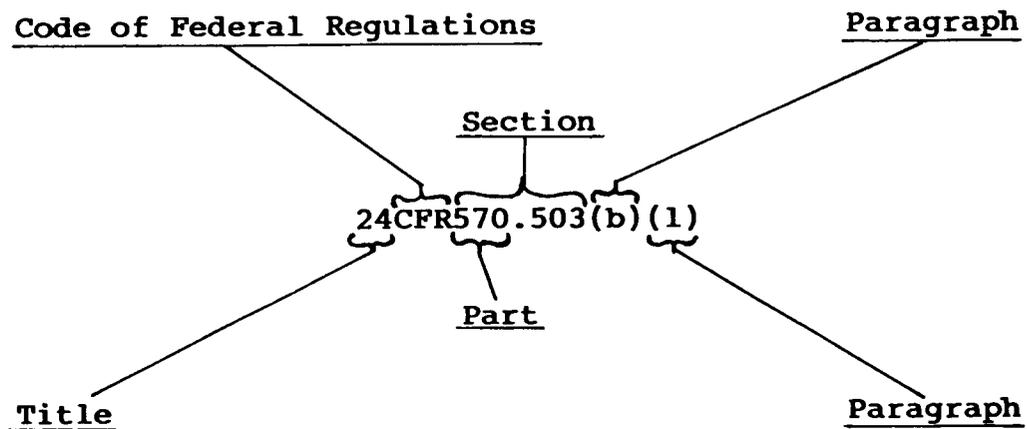
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CHAPTER 1.

INTRODUCTION

- 1-1. **PURPOSE.** This handbook sets forth HUD requirements implementing the provisions of Title I of the Housing and Community Development Act of 1974 governing the Community Development Block Grant (CDBG) Entitlement program. The Handbook is provided in loose leaf form so that individual pages or sections can be easily updated.
- 1-2. **SCOPE.** The Handbook contains the regulations for the CDBG program Part 570, Subparts A, C, D, J, K, M and O.
- 1-3. **HOW TO CITE A HUD REGULATION.** Following is an example in citing a requirement of the Community Development Block Grant Regulations. (24 C.F.R. Part 570):



Subpart A -- General Provisions.

Sec.	
570.1	Purpose.
570.2	Primary objective.
570.3	Definitions.
570.4	Allocation of funds.
570.5	Waivers.

Subpart A -- General Provisions.

§ 570.1 Purpose.

- (a) This part describes policies and procedures applicable to the following programs authorized under Title I of the Housing and Community Development Act of 1974, as amended:
- (1) Entitlement grants program (Subpart D);
 - (2) Small Cities program: HUD administered CDBG nonentitlement funds (Subpart F);
 - (3) State program: State-administered CDBG nonentitlement funds (Subpart I);
 - (4) Secretary's Fund program (Subpart E);
 - (5) Urban Development Action Grant program (Subpart G); and
 - (6) Loan Guarantees (Subpart M).
- (b) Subparts A, C, J, K, and O apply to all programs in paragraph (a) except as modified or limited under the provisions of these subparts or the applicable program regulations. In the application of the subparts to the Secretary's Fund program or the Urban Development Action Grant program, the reference to funds in the form of grants in the term "CDBG funds," as defined in § 570.3(e), shall mean the grant funds under those programs. The subparts do not apply to the State program (Subpart I) except to the extent expressly referred to.

§ 570.2 Primary Objective.

The primary objective of Title I of the Housing and Community Development Act of 1974, as amended, and of the community development program of each grantee under the Title is the development of viable

urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Consistent with this primary objective, not less than 60 percent of CDBG funds received by the grantee under Subparts D, F, and M shall be used in accordance with the applicable requirements of those subparts for activities that benefit persons of low and moderate income.

§ 570.3 Definitions.

- (a) "Act" means Title I of the Housing and Community Development Act of 1974 as amended (42 U.S.C. 5301 et seq.).
- (b) "Age of housing" means the number of existing year-round housing units constructed in 1939 or earlier, based on data compiled by the United States Bureau of the Census referable to the same point or period of time available from the latest decennial census.
- (c) "Applicant" means a State, unit of general local government, or an Indian tribe which makes application pursuant to the provisions of Subparts E, F, G or M.
- (d) "Buildings for the general conduct of government" means city halls, county administrative buildings, State capitol or office buildings or other facilities in which the legislative, judicial or general administrative affairs of the government are conducted. Such term does not include such facilities as neighborhood service centers or special purpose buildings located in low and moderate income areas that house various nonlegislative functions or services provided by government at decentralized locations.
- (e) "CDBG funds" means Community Development Block Grant funds, including funds received in the form of grants under Subparts D or F, loans guaranteed under Subpart M, urban renewal surplus grant funds under Subpart N, and program income defined in § 570.500(a).
- (f) "Chief Executive Officer" of a State or unit of general local government means the elected official or the legally designated official, who has the primary responsibility for the conduct of that entity's governmental affairs. Examples of the "chief executive officer" of a unit of general local government are: the elected mayor of a municipality; the elected county executive of a county; the chairperson of a county commission or board in a county that has no elected county executive; and the official designated pursuant to law by the governing body of a unit of general local government.

- (g)(1) "City" means, for purposes of Entitlement Community Development Block Grant and Urban Development Action Grant eligibility:
- (i) Any unit of general local government which is classified as a municipality by the United States Bureau of the Census or
 - (ii) Any other unit of general local government which is a town or township and which, in the determination of the Secretary:
 - (A) Possesses powers and performs functions comparable to those associated with municipalities;
 - (B) Is closely settled (except that the Secretary may reduce or waive this requirement on a case by case basis for the purposes of the Action Grant program); and
 - (C) Contains within its boundaries no incorporated places as defined by the United States Bureau of the Census which have not entered into cooperation agreements with such town or township for a period covering at least 3 years to undertake or assist in the undertaking of essential community development and housing assistance activities. The determination of eligibility of a town or township to qualify as a city will be based on information available from the United States Bureau of the Census and information provided by the town or township and its included units of general local government.
- (2) For purposes of Urban Development Action Grant eligibility only, "city" means Guam, the Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands, the counties of Kauai, Maui, and Hawaii in the State of Hawaii, and Indian tribes which are eligible recipients under the State and Local Government Fiscal Assistance Act of 1972 and located on reservations or on former Indian reservations in Oklahoma as determined by the Secretary of the Interior or in Alaskan Native Villages.
- (h) "Discretionary grant" means a grant made from the Secretary's Fund in accordance with Subpart E.
- (i) "Entitlement amount" means the amount of funds which a metropolitan city is entitled to receive under the Entitlement grant program, as determined by formula set forth in section 106 of the Act.

- (j) "Extent of growth lag" means the number of persons who would have been residents in a metropolitan city or urban county, in excess of the current population of such metropolitan city or urban county, if such metropolitan city or urban county had a population growth rate between 1960 and the date of the most recent population count available from the United States Bureau of the Census referable to the same point or period in time equal to the population growth rate for such period of all metropolitan cities.
- (k) "Extent of housing overcrowding" means the number of housing units with 1.01 or more persons per room based on data compiled and published by the United States Bureau of the Census available from the latest census referable to the same point or period in time.
- (l) "Extent of poverty" means the number of persons whose incomes are below the poverty level based on data compiled and published by the United States Bureau of the Census available from the latest census referable to the same point or period in time and the latest reports from the Office of Management and Budget. For purposes of this part, the Secretary has determined that it is neither feasible nor appropriate to make adjustments at this time in the computations of "extent of poverty" for regional or area variations in income and cost of living.
- (m) "Family" means all persons living in the same household who are related by birth, marriage or adoption.
- (n) "Household" means all the persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.
- (o) "HUD" means the Department of Housing and Urban Development.
- (p) "Indian tribe" means any Indian tribe, band, group, and nation, including Alaska Indians, Aleuts, and Eskimos and any Alaska Native Village, of the United States which is considered an eligible recipient under the Indian Self-Determination and Education Assistance Act (Public Law 93-638) or under the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512).
- (q) "Low and moderate income household" or "lower income household" means a household having an income equal to or less than the Section 8 lower income limits established by HUD. The method for determining income under the Section 8 Housing Assistance Payments program need not be used for this purpose.

- (r) "Low and moderate income person" or "lower income person" means a member of a family having an income equal to or less than the Section 8 lower income limit established by HUD. Unrelated individuals shall be considered as one person families for this purpose. The method for determining income under the Section 8 Housing Assistance Payments program need not be used for this purpose.
- (s) "Low income household" means a household having an income equal to or less than the Section 8 very low income limit established by HUD. The method for determining income under the Section 8 Housing Assistance Payments program need not be used for this purpose.
- (t) "Low income person" means a member of a family having an income equal to or less than the Section 8 very low income limit established by HUD. Unrelated individuals shall be considered as one person families for this purpose. The method for determining income under the Section 8 Housing Assistance Payments program need not be used for this purpose.
- (u) "Metropolitan area" means a metropolitan statistical area, as established by the Office of Management and Budget.
- (v) "Metropolitan city" means:
 - (1) A city within a metropolitan area which is the central city of such area, as defined and used by the Office of Management and Budget, or
 - (2) Any other city, within a metropolitan area, which has a population of fifty thousand or more.
 - (3)
 - (i) Each city losing its classification as a metropolitan city by reason of a decrease in population or revisions in the designation of metropolitan areas or central cities, or any city classified as or deemed by law to be a metropolitan city for purposes of assistance under any section of the Act for fiscal year 1983 or any subsequent fiscal year shall retain such qualification for purposes of receiving such assistance through September 30, 1989.
 - (ii) Any unit of general local government that becomes eligible to be classified as a metropolitan city, and was not classified as a metropolitan city in the immediately preceding fiscal year, may, upon submission of written notification to the Secretary, defer its classification as a metropolitan city for all purposes under the Act, if it elects to have its population included in an urban county.

- (iii) Notwithstanding paragraph (v)(3)(i) of this definition, a city may elect not to retain its classification as a metropolitan city for fiscal year 1988 or 1989.
- (iv) Any city classified as a metropolitan city pursuant to paragraph (v)(1), (2) or (3)(i) of this definition, and that no longer qualifies as a metropolitan city under paragraph (v)(1), (2) or (3)(i) of this definition in a fiscal year beginning after fiscal year 1989, shall retain its classification as a metropolitan city for such fiscal year and the succeeding fiscal year, except that in such succeeding fiscal year the amount of the grant to such city shall be 50 percent of the amount calculated under section 106(b) of the Act; and the remaining 50 percent shall be added to the amount allocated under section 106(d) of the Act to the State in which the city is located and the city shall be eligible in such succeeding fiscal year to receive a distribution from the State allocation under section 106(d) of the Act.
- (w) "Moderate income household" means a household having an income equal to or less than the Section 8 lower income limit and greater than the Section 8 very low income limit, established by HUD. The method for determining income under the Section 8 Housing Assistance Payments program need not be used for this purpose.
- (x) "Moderate income person" means a member of a family having an income equal to or less than the Section 8 lower income limit and greater than the Section 8 very low income limit, established by HUD. Unrelated individuals shall be considered as one person families for this purpose. The method for determining income under the Section 8 Housing Assistance Payments program need not be used for this purpose.
- (y) "Nonentitlement amount" means the amount of funds which is allocated for use in a State's nonentitlement areas as determined by formula set forth in section 106 of the Act.
- (z) "Nonentitlement area" means an area which is not a metropolitan city and not included as part of an urban county.
- (aa) "Population" means the total resident population based on data compiled and published by the United States Bureau of the Census available from the latest census or which has been upgraded by the Bureau to reflect the changes resulting from the Boundary and Annexation Survey, new incorporations and consolidations of governments pursuant to § 570.4, and which reflects, where applicable, changes resulting from the Bureau's latest population

determination through its estimating technique using natural changes (birth and death) and net migration, and is referable to the same point or period in time.

- (bb) "Secretary" means the Secretary of Housing and Urban Development.
- (cc) "State" means any State of the United States, or an instrumentality thereof approved by the Governor; and the Commonwealth of Puerto Rico.
- (dd) "Unit of general local government" means any city, county, town, township, parish, village or other general purpose political subdivision of a State; Guam, the Northern Mariana Islands, the Virgin Islands, and American Samoa or a general purpose political subdivision thereof; a combination of such political subdivisions recognized by the Secretary; the District of Columbia; and the Trust Territory of the Pacific Islands. Such term also includes a State or a local public body or agency (as defined in section 711 of the Housing and Urban Development Act of 1970), a community association, or other entity, which is approved by the Secretary for the purpose of providing public facilities or services to a new community as part of a program meeting the eligibility standards of section 712 of the Housing and Urban Development Act of 1970 or title IV of the Housing and Urban Development Act of 1968.
- (ee)
 - (1) The term "urban county" means any county within a metropolitan area which--
 - (i) is authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas, if any, which are not units of general local government; and
 - (ii) has a population of 200,000 or more (excluding the population of metropolitan cities therein) and has a combined population of 100,000 or more (excluding the population of metropolitan cities therein) in such unincorporated areas and in its included units of general local government (and in the case of counties having a combined population of less than 200,000, the areas and units of general local government must include the areas and units of general local government which in the aggregate have the preponderance of the persons of low and moderate income who reside in the county excluding metropolitan cities therein) in which it has authority to undertake essential community development and housing assistance activities and which do not elect

to have their population excluded, or with which it has entered into cooperation agreements to undertake or to assist in the undertaking of essential community development and housing assistance activities.

- (2) The term "urban county" also includes any other county eligible under section 102(a)(6) of the Act.
 - (3) Any county classified as an urban county pursuant to paragraph (ee)(1) or (2) of this definition, and that no longer qualifies as an urban county under paragraph (ee)(1) or (2) of this definition in a fiscal year beginning after fiscal year 1989, shall retain its classification as an urban county for such fiscal year and the succeeding fiscal year, except that in such succeeding fiscal year the amount of the grant to such an urban county shall be 50 percent of the amount calculated under section 106(b) of the Act; and the remaining 50 percent shall be added to the amount allocated under section 106(d) of the Act to the State in which the urban county is located and the urban county shall be eligible in such succeeding fiscal year to receive a distribution from the State allocation under section 106(d) of the Act.
 - (4) In determining whether a county's combined population contains the required percentage of low and moderate income persons, the Department will identify the number of persons that resided in applicable areas and units of general local government based on data from the most recent decennial census, and using income limits that would have applied for the year in which that census was taken.
- (ff) "Urban Development Action Grant" (UDAG) means a grant made by the Secretary pursuant to section 119 of the Act and Subpart G of this part.

§ 570.4 Allocation of funds.

- (a) The determination of eligibility of units of general local government to receive entitlement grants, the entitlement amounts, the allocation of appropriated funds to States for use in nonentitlement areas, the reallocation of funds, and the allocation of appropriated funds for discretionary grants under the Secretary's Fund shall be governed by the policies and procedures described in sections 106 and 107 of the Act.
- (b) The definitions in § 570.3 shall govern in applying the policies and procedures described in sections 106 and 107 of the Act.

- (c) In determining eligibility for entitlement and in allocating funds under section 106 of the Act for any Federal fiscal year, HUD will recognize corporate status and geographical boundaries and the status of metropolitan areas and central cities effective as of July 1 preceding such Federal fiscal year, subject to the following limitations:
- (1) With respect to corporate status as certified by the applicable State and available for processing by the Census Bureau as of such date;
 - (2) With respect to boundary changes or annexations, as are used by the Census Bureau in preparing population estimates for all general purpose governmental units and are available for processing by the Census Bureau as of such date, except that any such boundary changes or annexations which result in the population of a unit of general local government reaching or exceeding 50,000 shall be recognized for this purpose whether or not such changes are used by the Census Bureau in preparing such population estimates; and
 - (3) With respect to the status of Metropolitan Statistical Areas and central cities, as officially designated by the Office of Management and Budget as of such date.
- (d) In determining whether a county qualifies as an urban county, and in computing entitlement amounts for urban counties, the demographic values of population, poverty, housing overcrowding, and age of housing of any Indian tribes located within the county shall be excluded. In allocating amounts to States for use in nonentitlement areas, the demographic values of population, poverty, housing overcrowding and age of housing of all Indian tribes located in all nonentitled areas shall be excluded. It is recognized that all such data on Indian tribes are not generally available from the United States Bureau of the Census and that missing portions of data will have to be estimated. In accomplishing any such estimates the Secretary may use such other related information available from reputable sources as may seem appropriate, regardless of the data's point or period of time and shall use the best judgement possible in adjusting such data to reflect the same point or period of time as the overall data from which the Indian tribes are being deducted, so that such deduction shall not create an imbalance with those overall data.
- (e) Amounts remaining after closeout of a grant which are required to be returned to HUD under the provisions of § 570.509, Grant closeout procedures, shall be considered as funds available for reallocation unless the appropriation under which the funds were provided to the Department has lapsed.

§ 570.5 Waivers.

The Secretary may waive any requirement of this part not required by law whenever it is determined that undue hardship will result from applying the requirement and where application of the requirement would adversely affect the purposes of the Act.

Subpart C -- Eligible Activities.

Sec.

- 570.200 General policies.
- 570.201 Basic eligible activities.
- 570.202 Eligible rehabilitation and preservation activities.
- 570.203 Special economic development activities.
- 570.204 Special activities by subrecipients.
- 570.205 Eligible planning, urban environmental design and policy-planning-management-capacity building activities.
- 570.206 Program administrative costs.
- 570.207 Ineligible activities.
- 570.208 Criteria for national objectives.

Subpart C -- Eligible Activities.

§ 570.200 General policies.

- (a) Determination of eligibility. An activity may be assisted in whole or in part with CDBG funds only if all of the following requirements are met:
- (1) Compliance with section 105 of the Act. Each activity must meet the eligibility requirements of section 105 of the Act as further defined in this subpart.
 - (2) Compliance with national objectives. Grant recipients under the Entitlement and HUD-administered Small Cities programs must certify that their projected use of funds has been developed so as to give maximum feasible priority to activities which will carry out one of the national objectives of benefit to low and moderate income families or aid in the prevention or elimination of slums or blight; the projected use of funds may also include activities which the recipient certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. Consistent with the foregoing, each recipient under the Entitlement and HUD-administered Small Cities programs must ensure, and maintain evidence, that each of its activities assisted with CDBG funds meets one of the three national objectives as contained in its certification. Criteria for determining whether an activity addresses one or more of these objectives are contained at § 570.208.

- (3) Compliance with the primary objective. The Act establishes as its primary objective the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Consistent with this objective, Entitlement and HUD-administered Small Cities recipients must ensure that, over a period of time specified in their certification not to exceed three years, not less than 60 percent of the aggregate of CDBG fund expenditures shall be for activities meeting the criteria under § 570.208(a) for benefiting low and moderate income persons. In determining the percentage of funds expended for such activities:
- (i) Cost of administration and planning eligible under § 570.205 and § 570.206 will be assumed to benefit low and moderate income persons in the same proportion as the remainder of the CDBG funds and, accordingly shall be excluded from the calculation;
 - (ii) Funds deducted by HUD for repayment of urban renewal temporary loans pursuant to § 570.802(b) shall be excluded;
 - (iii) Funds expended for the repayment of loans guaranteed under the provisions of Subpart M shall also be excluded;
 - (iv) Funds expended for the acquisition, new construction or rehabilitation of property for housing that qualifies under § 570.208(a)(3) shall be counted for this purpose but shall be limited to an amount determined by multiplying the total cost (including CDBG and non-CDBG costs) of the acquisition, construction or rehabilitation by the percent of units in such housing to be occupied by low and moderate income persons; and
 - (v) Funds expended for any other activities qualifying under § 570.208(a) shall be counted for this purpose in their entirety.
- (4) Compliance with environmental review procedures. The environmental review procedures set forth at 24 CFR Part 58 must be completed for each activity (or project as defined in 24 CFR Part 58), as applicable.
- (5) Cost principles. Costs incurred, whether charged on a direct or an indirect basis, must be in conformance with the requirements of OMB Circulars A-87, "Cost Principles Applicable to Grants and Contracts with State and Local Governments," A-122, "Cost Principles for Non-profit

Organizations," or A-21, "Cost Principles for Educational Institutions," as applicable. All items of cost listed in Attachment B of these Circulars which require prior Federal agency approval are allowable without prior approval of HUD to the extent they comply with the general policies and principles stated in Attachment A of such Circulars and are otherwise eligible under this subpart. However, pre-agreement costs are limited to those costs described at § 570.200(h).

(b) Special policies governing facilities. The following special policies apply to:

- (1) Facilities containing both eligible and ineligible uses. A public facility otherwise eligible for assistance under the CDBG program may be provided with CDBG funds even if it is part of a multiple use building containing ineligible uses, if:
 - (i) The facility which is otherwise eligible and proposed for assistance will occupy a designated and discrete area within the larger facility; and
 - (ii) The recipient can determine the costs attributable to the facility proposed for assistance as separate and distinct from the overall costs of the multiple-use building and/or facility.

Allowable costs are limited to those attributable to the eligible portion of the building or facility.

- (2) Fees for use of facilities. Reasonable fees may be charged for the use of the facilities assisted with CDBG funds, but charges, such as excessive membership fees, which will have the effect of precluding low and moderate income persons from using the facilities, are not permitted.

(c) Special assessments under the CDBG program. The following policies relate to special assessments under the CDBG program:

- (1) Definition of special assessment. The term "special assessment" means the recovery of the capital costs of a public improvement, such as streets, water or sewer lines, curbs, and gutters, through a fee or charge levied or filed as a lien against a parcel of real estate as a direct result of benefit derived from the installation of a public improvement, or a one-time charge made as a condition of access to a public improvement. This term does not relate to taxes, or the establishment of the value of real estate for the purpose of levying real estate, property, or ad valorem taxes, and does not include periodic charges based on the use

of a public improvement, such as water or sewer user charges, even if such charges include the recovery of all or some portion of the capital costs of the public improvement.

(2) Special assessments to recover capital costs. Where CDBG funds are used to pay all or part of the cost of a public improvement, special assessments may be imposed as follows:

- (i) Special assessments to recover the CDBG funds may be made only against properties owned and occupied by persons not of low and moderate income. Such assessments constitute program income.
- (ii) Special assessments to recover the non-CDBG portion may be made provided that CDBG funds are used to pay the special assessment in behalf of all properties owned and occupied by low and moderate income persons; except that CDBG funds need not be used to pay the special assessments in behalf of properties owned and occupied by moderate income persons if the grant recipient certifies that it does not have sufficient CDBG funds to pay the assessments in behalf of all of the low and moderate income owner-occupant persons. Funds collected through such special assessments are not program income.

(3) Public improvements not initially assisted with CDBG funds. The payment of special assessments with CDBG funds constitutes CDBG assistance to the public improvement. Therefore, CDBG funds may be used to pay special assessments provided:

- (i) The installation of the public improvements was carried out in compliance with requirements applicable to activities assisted under this part including environmental, citizen participation and Davis-Bacon requirements;
- (ii) The installation of the public improvement meets a criterion for national objectives in § 570.208(a)(1), (b), or (c); and
- (iii) The requirements of § 570.200(c)(2)(ii) are met.

(d) Consultant activities. Consulting services are eligible for assistance under this part for professional assistance in program planning, development of community development objectives, and other general professional guidance relating to program execution. The use of consultants is governed by the following:

- (1) Employer-employee type of relationship. No person providing consultant services in an employer-employee type of relationship shall receive more than a reasonable rate of compensation for personal services paid with CDBG funds. In no event, however, shall such compensation exceed the maximum daily rate of compensation for a GS-18 as established by Federal law. Such services shall be evidenced by written agreements between the parties which detail the responsibilities, standards, and compensation.
 - (2) Independent contractor relationship. Consultant services provided under an independent contractor relationship are governed by the procurement requirements in 24 CFR 85.36 and are not subject to the GS-18 limitation.
- (e) Recipient determinations required as a condition of eligibility. In several instances under this subpart, the eligibility of an activity depends on a special local determination. Recipients shall maintain documentation of all such determinations. A written determination is required for any activity carried out under the authority of §§ 570.201(f), 570.202(b)(3), 570.203(b), 570.204, and 570.206(f). A written determination is also required for certain relocation costs under § 570.201(i).
- (f) Means of carrying out eligible activities.
- (1) Activities eligible under this subpart, other than those authorized under § 570.204(a), may be undertaken, subject to local law:
 - (i) By the recipient through:
 - (A) Its employees, or
 - (B) Procurement contracts governed by the requirements of 24 CFR 85.36; or
 - (ii) Through agreements with subrecipients, as defined at § 570.500(c); or
 - (iii) By one or more public agencies, including existing local public agencies, that are designated by the chief executive officer of the recipient.
 - (2) Activities made eligible under § 570.204(a) may only be undertaken by subrecipients specified in that section.
- (g) Limitation on planning and administrative costs. No more than 20 percent of the sum of any grant plus program income received during the program year (or the grant period for grants under Subpart F) shall be expended for planning and program

administrative costs, as defined in §§ 570.205 and 570.206 respectively. Recipients of entitlement grants under Subpart D will be considered to be in conformance with this limitation if expenditures for planning and administration during the most recently completed program year did not exceed 20 percent of the sum of the entitlement grant made for that program year and the program income received during that program year.

- (h) Reimbursement for pre-agreement costs. Prior to the effective date of the grant agreement, a recipient may obligate and spend local funds for the purpose of environmental assessments required by 24 CFR Part 58, for the planning and capacity building purposes authorized by § 570.205(b), for engineering and design costs associated with an activity eligible under § 570.201 through § 570.204, for the provision of information and other resources to residents pursuant to § 570.206(b), for relocation activities carried out pursuant to § 570.606, and for costs of complying with procedural requirements for acquisition under § 570.606 but not for the cost of the real property itself. After the effective date of the grant agreement, the recipient may be reimbursed with funds from its grant to cover those costs, provided such locally funded activities were undertaken in compliance with the requirements of this part and 24 CFR Part 58.

- (i) Urban Development Action Grant. Grant assistance may be provided with Urban Development Action Grant funds, subject to the provisions of Subpart G, for:
 - (1) Activities eligible for assistance under this subpart; and
 - (2) Notwithstanding the provisions of § 570.207, such other activities as the Secretary may determine to be consistent with the purposes of the Urban Development Action Grant program.

- (j) Constitutional prohibition. In accordance with First Amendment Church/State Principles, as a general rule, CDBG assistance may not be used for religious activities or provided to primarily religious entities for any activities, including secular activities. The following restrictions and limitations therefore apply to the use of CDBG funds:
 - (1) CDBG funds may not be used for the acquisition of property or the construction or rehabilitation (including historic preservation and removal of architectural barriers) of structures to be used for religious purposes or which will otherwise promote religious interests. This limitation includes the acquisition of property for ownership by primarily religious entities and the construction or rehabilitation (including historic preservation and removal of architectural barriers) of structures owned by such

entities (except as permitted under paragraph (j)(2) of this section with respect to rehabilitation and under paragraph (j)(4) of this section with respect to repairs undertaken in connection with public services) regardless of the use to be made of the property or structure. Property owned by primarily religious entities may be acquired with CDBG funds at no more than fair market value for a non-religious use.

- (2) CDBG funds may be used to rehabilitate buildings owned by primarily religious entities to be used for a wholly secular purpose under the following conditions:
 - (i) The building (or portion thereof) that is to be improved with the CDBG assistance has been leased to an existing or newly established wholly secular entity (which may be an entity established by the religious entity);
 - (ii) The CDBG assistance is provided to the lessee (and not the lessor) to make the improvements;
 - (iii) The leased premises will be used exclusively for secular purposes available to persons regardless of religion;
 - (iv) The lease payments do not exceed the fair market rent of the premises as they were before the improvements are made;
 - (v) The portion of the cost of any improvements that also serve a non-leased part of the building will be allocated to and paid for by the lessor;
 - (vi) The lessor enters into a binding agreement that unless the lessee, or a qualified successor lessee, retains the use of the leased premises for a wholly secular purpose for at least the useful life of the improvements, the lessor will pay to the lessee an amount equal to the residual value of the improvements;
 - (vii) The lessee must remit the amount received from the lessor under subparagraph (2)(vi) of this section to the recipient or subrecipient from which the CDBG funds were derived.

The lessee can also enter into a management contract authorizing the lessor religious entity to use the building for its intended secular purpose, e.g., homeless shelter, provision of public services. In such case, the religious entity must agree in the management contract to carry out the secular purpose in a manner free from religious influences in

accordance with the principles set forth in paragraph (j)(3) of this section.

- (3) As a general rule, CDBG funds may be used for eligible public services to be provided through a primarily religious entity, where the religious entity enters into an agreement with the recipient or subrecipient from which the CDBG funds are derived that, in connection with the provision of such services:
 - (i) it will not discriminate against any employee or applicant for employment on the basis of religion and will not limit employment or give preference in employment to persons on the basis of religion;
 - (ii) it will not discriminate against any person applying for such public services on the basis of religion and will not limit such services or give preference to persons on the basis of religion;
 - (iii) it will provide no religious instruction or counseling, conduct no religious worship or services, engage in no religious proselytizing, and exert no other religious influence in the provision of such public services;
 - (iv) the portion of a facility used to provide the public services shall contain no religious symbols or decorations, other than those permanently affixed to or part of the structure.
- (4) Where the public services provided under paragraph (j)(3) of this section are carried out on property owned by the primarily religious entity, CDBG funds may also be used for minor repairs to such property which are directly related to carrying out the public services where the cost constitutes in dollar terms only an incidental portion of the CDBG expenditure for the public services.

§ 570.201 Basic eligible activities.

CDBG funds may be used for the following activities:

- (a) Acquisition. Acquisition in whole or in part by the recipient, or other public or private nonprofit entity, by purchase, long-term lease, donation, or otherwise, of real property (including air rights, water rights, rights-of-way, easements, and other interests therein) for any public purpose, subject to the limitations of § 570.207.

- (b) Disposition. Disposition, through sale, lease, donation, or otherwise, of any real property acquired with CDBG funds or its retention for public purposes, including reasonable costs of temporarily managing such property or property acquired under urban renewal, provided that the proceeds from any such disposition shall be program income subject to the requirements set forth in § 570.504.
- (c) Public facilities and improvements. Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements, except as provided in § 570.207(a), carried out by the recipient or other public or private nonprofit entities. In undertaking such activities, design features and improvements which promote energy efficiency may be included. Such activities may also include the execution of architectural design features, and similar treatments intended to enhance the aesthetic quality of facilities and improvements receiving CDBG assistance, such as decorative pavements, railings, sculptures, pools of water and fountains, and other works of art. Facilities designed for use in providing shelter for persons having special needs are considered public facilities and not subject to the prohibition of new housing construction described in § 570.207(b)(3). Such facilities include shelters for the homeless; convalescent homes; hospitals; nursing homes; battered spouse shelters; halfway houses for run-away children, drug offenders or parolees; group homes for mentally retarded persons and temporary housing for disaster victims. In certain cases, nonprofit entities and subrecipients including those specified in § 570.204 may acquire title to public facilities. When such facilities are owned by nonprofit entities or subrecipients, they shall be operated so as to be open for use by the general public during all normal hours of operation. Public facilities and improvements eligible for assistance under this paragraph are subject to the policies in § 570.200(b).
- (d) Clearance activities. Clearance, demolition, and removal of buildings and improvements, including movement of structures to other sites. Demolition of HUD-assisted housing units may be undertaken only with the prior approval of HUD.
- (e) Public services. Provision of public services (including labor, supplies, and materials) which are directed toward improving the community's public services and facilities, including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, fair housing counseling, energy conservation, welfare, or recreational needs. In order to be eligible for CDBG assistance, public services must meet each of the following criteria:
- (1) A public service must be either a new service, or a quantifiable increase in the level of a service above that

which has been provided by or in behalf of the unit of general local government (through funds raised by such unit, or received by such unit from the State in which it is located) in the twelve calendar months prior to the submission of the statement. (An exception to this requirement may be made if HUD determines that the decrease in the level of a service was the result of events not within the control of the unit of general local government.)

- (2) The amount of CDBG funds used for public services shall not exceed 15 percent of each grant except as provided in paragraph (3) below. For entitlement grants under Subpart D, compliance is based on the amount of CDBG funds obligated for public service activities in each program year compared to 15 percent of the entitlement grant made for that program year.
- (3) A recipient which obligated more CDBG funds for public services than 15 percent of its grant funded from Federal fiscal year 1982 or 1983 appropriations (excluding any assistance received pursuant to Public Law 98-8), may obligate more CDBG funds than 15 percent of its grant for public services so long as the amount obligated in any program year does not exceed the percentage or amount obligated in Federal fiscal year 1982 or 1983, whichever method of calculation yields the higher amount.

(f) Interim assistance.

- (1) The following activities may be undertaken on an interim basis in areas exhibiting objectively determinable signs of physical deterioration where the recipient has determined that immediate action is necessary to arrest the deterioration and that permanent improvements will be carried out as soon as practicable:
 - (i) The repairing of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings; and
 - (ii) The execution of special garbage, trash, and debris removal, including neighborhood cleanup campaigns, but not the regular curbside collection of garbage or trash in an area.
- (2) In order to alleviate emergency conditions threatening the public health and safety in areas where the chief executive officer of the recipient determines that such an emergency condition exists and requires immediate resolution, CDBG funds may be used for:
 - (i) The activities specified in paragraph (f)(1) of this section, except for the repair of parks and playgrounds;

- (ii) The clearance of streets, including snow removal and similar activities; and
 - (iii) The improvement of private properties.
- (3) All activities authorized under paragraph (f)(2) of this section are limited to the extent necessary to alleviate emergency conditions.
- (g) Payment of non-Federal share. Payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of CDBG activities, provided, that such payment shall be limited to activities otherwise eligible and in compliance with applicable requirements under this subpart.
 - (h) Urban renewal completion. Payment of the cost of completing an urban renewal project funded under Title I of the Housing Act of 1949 as amended. Further information regarding the eligibility of such costs is set forth in § 570.801.
 - (i) Relocation. Relocation payments and other assistance for permanently and temporarily relocated individuals, families, businesses, nonprofit organizations, and farm operations where assistance is:
 - (1) Required under the provisions of § 570.606(a), (b) or (c); or
 - (2) Determined by the recipient to be appropriate under the provisions of § 570.606(d).
 - (j) Loss of rental income. Payments to housing owners for losses of rental income incurred in holding, for temporary periods, housing units to be used for the relocation of individuals and families displaced by program activities assisted under this part.
 - (k) Removal of architectural barriers. Special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly or handicapped persons to publicly owned and privately owned buildings, facilities, and improvements.
 - (l) Privately owned utilities. CDBG funds may be used to acquire, construct, reconstruct, rehabilitate, or install the distribution lines and facilities of privately owned utilities, including the placing underground of new or existing distribution facilities and lines.

- (m) Construction of housing. CDBG funds may be used for the construction of housing assisted under section 17 of the United States Housing Act of 1937.

§ 570.202 Eligible rehabilitation and preservation activities.

- (a) Types of buildings and improvements eligible for rehabilitation assistance. CDBG funds may be used to finance the rehabilitation of:
- (1) Privately owned buildings and improvements for residential purposes;
 - (2) Low income public housing and other publicly owned residential buildings and improvements;
 - (3) Publicly or privately owned commercial or industrial buildings, except that the rehabilitation of such buildings owned by a private for-profit business is limited to improvements to the exterior of the building and the correction of code violations (further improvements to such buildings may be undertaken pursuant to § 570.203(b)); and
 - (4) Manufactured housing when such housing constitutes part of the community's permanent housing stock.
- (b) Types of assistance. CDBG funds may be used to finance the following types of rehabilitation activities, and related costs, either singly, or in combination, through the use of grants, loans, loan guarantees, interest supplements, or other means for buildings and improvements described in paragraph (a) of this section, except that rehabilitation of commercial or industrial buildings is limited as described in paragraph (a)(3) of this section.
- (1) Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes;
 - (2) Labor, materials, and other costs of rehabilitation of properties, including repair directed toward an accumulation of deferred maintenance, replacement of principal fixtures and components of existing structures, installation of security devices, including smoke detectors and dead bolt locks, and renovation through alterations, additions to, or enhancement of existing structures, which may be undertaken singly, or in combination;

- (3) Loans for refinancing existing indebtedness secured by a property being rehabilitated with CDBG funds if such financing is determined by the recipient to be necessary or appropriate to achieve the locality's community development objectives;
- (4) Improvements to increase the efficient use of energy in structures through such means as installation of storm windows and doors, siding, wall and attic insulation, and conversion, modification, or replacement of heating and cooling equipment, including the use of solar energy equipment;
- (5) Improvements to increase the efficient use of water through such means as water saving faucets and shower heads and repair of water leaks;
- (6) Connection of residential structures to water distribution lines or local sewer collection lines;
- (7) For rehabilitation carried out with CDBG funds, costs of:
 - (i) Initial homeowner warranty premiums;
 - (ii) Hazard insurance premiums, except where assistance is provided in the form of a grant; and
 - (iii) Flood insurance premiums for properties covered by the Flood Disaster Protection Act of 1973, pursuant to § 570.605.
 - (iv) Procedures concerning inspection and testing for and abatement of lead-based paint, pursuant to § 570.608.
- (8) Costs of acquiring tools to be lent to owners, tenants, and others who will use such tools to carry out rehabilitation;
- (9) Rehabilitation services, such as rehabilitation counseling, energy auditing, preparation of work specifications, loan processing, inspections, and other services related to assisting owners, tenants, contractors, and other entities, participating or seeking to participate in rehabilitation activities authorized under this section, under section 312 of the Housing Act of 1964, as amended, under section 810 of the Act, or under section 17 of the United States Housing Act of 1937; and
- (10) Assistance for the rehabilitation of housing under section 17 of the United States Housing Act of 1937.

- (c) Code enforcement. Code enforcement in deteriorating or deteriorated areas where such enforcement together with public improvements, rehabilitation, and services to be provided, may be expected to arrest the decline of the area.
- (d) Historic preservation. CDBG funds may be used for the rehabilitation, preservation or restoration of historic properties, whether publicly or privately owned. Historic properties are those sites or structures that are either listed in or eligible to be listed in the National Register of Historic Places, listed in a State or local inventory of historic places, or designated as a State or local landmark or historic district by appropriate law or ordinance. Historic preservation, however, is not authorized for buildings for the general conduct of government.
- (e) Renovation of closed buildings. CDBG funds may be used to renovate closed buildings, such as closed school buildings, for use as an eligible public facility or to rehabilitate such buildings for housing.

§ 570.203 Special economic development activities.

A recipient may use CDBG funds for special economic development activities in addition to other activities authorized in this subpart which may be carried out as part of an economic development project. Special activities authorized under this section do not include assistance for the construction of new housing. Special economic development activities include:

- (a) The acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property equipment and improvements, including railroad spurs or similar extensions. Such activities may be carried out by the recipient or public or private nonprofit subrecipients.
- (b) The provision of assistance to a private for-profit business, including, but not limited to, grants, loans, loan guarantees, interest supplements, technical assistance, and other forms of support, for any activity where the assistance is necessary or appropriate to carry out an economic development project, excluding those described as ineligible in § 570.207(a). In order to ensure that any such assistance does not unduly enrich the for-profit business, the recipient shall conduct an analysis to determine that the amount of any financial assistance to be provided is not excessive, taking into account the actual needs of the business in making the project financially feasible and the extent of public benefit expected to be derived from the economic development project. The recipient shall document the analysis as

well as any factors it considered in making its determination that the assistance is necessary or appropriate to carry out the project. The requirement for making such a determination applies whether the business is to receive assistance from the recipient or through a subrecipient.

§ 570.204 Special activities by certain subrecipients.

- (a) Eligible activities. The recipient may provide CDBG funds (e.g., grant or loan) to any of the three types of subrecipients specified in paragraph (c) of this section to carry out a neighborhood revitalization, community economic development, or energy conservation project. Such a project may include activities listed as eligible under this subpart, and activities not otherwise listed as eligible under this subpart, except those described as ineligible in § 570.207(a), when the recipient determines that such activities are necessary or appropriate to achieve its community development objectives. Notwithstanding that such subrecipients may carry out activities as part of such project that are not otherwise eligible under this subpart, this provision does not authorize:
- (1) provision of public services that do not meet the requirements of § 570.201(e)(1) and (2);
 - (2) provision of assistance to a for-profit business that does not comply with the requirements of § 570.203(b); or
 - (3) carrying out activities that would otherwise be eligible under §§ 570.205 or 570.206 but that would result in the recipient exceeding the limitation in § 570.200(g).
- (b) Recipient responsibilities. Recipients are responsible for ensuring that CDBG funds are used by the subrecipients in a manner consistent with the requirements of this part and other applicable Federal, State, or local law. Recipients are also responsible for carrying out the environmental review and clearance responsibilities.
- (c) Eligible subrecipients. The following are subrecipients authorized to receive assistance under this section:
- (1) Neighborhood-based nonprofit organizations. A neighborhood-based nonprofit organization is an association or corporation, duly organized to promote and undertake community development activities on a not-for-profit basis within a neighborhood. An organization is considered to be neighborhood-based if the majority of either its membership, clientele, or governing body are residents of the neighborhood where activities assisted with CDBG funds are to be carried out. A neighborhood is defined as:

- (i) A geographic location within the jurisdiction of a unit of general local government (but not the entire jurisdiction) designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation;
 - (ii) The entire jurisdiction of a unit of general local government which is under 25,000 population; or
 - (iii) A neighborhood, village, or similar geographical designation in a New Community as defined in § 570.403(a)(1).
- (2) Section 301(d) Small Business Investment Companies. A Section 301(d) Small Business Investment Company is an entity organized pursuant to section 301(d) of the Small Business Investment Act of 1958 (15 U.S.C. 681(d)), including those which are profit making.
- (3) Local development corporations. A local development corporation is:
- (i) An entity organized pursuant to Title VII of the Headstart, Economic Opportunity, and Community Partnership Act of 1974 (42 U.S.C. 2981) or the Community Economic Development Act of 1981 (42 U.S.C. 9801 et seq.);
 - (ii) An entity eligible for assistance under section 502 or 503 of the Small Business Investment Act of 1958 (15 U.S.C. 696);
 - (iii) Other entities incorporated under State or local law whose membership is representative of the area of operation of the entity (including nonresident owners of businesses in the area) and which are similar in purpose, function, and scope to those specified in (i) or (ii) above; or
 - (iv) A State development entity eligible for assistance under section 501 of the Small Business Investment Act of 1958 (15 U.S.C. 695).

§ 570.205 Eligible planning, urban environmental design and policy-planning-management-capacity building activities.

- (a) Planning activities which consist of all costs of data gathering, studies, analysis, and preparation of plans and the identification

of actions that will implement such plans, including, but not limited to:

- (1) Comprehensive plans;
- (2) Community development plans;
- (3) Functional plans, in areas such as:
 - (i) Housing, including the development of a housing assistance plan;
 - (ii) Land use and urban environmental design;
 - (iii) Economic development;
 - (iv) Open space and recreation;
 - (v) Energy use and conservation;
 - (vi) Floodplain and wetlands management in accordance with the requirements of Executive Orders 11988 and 11990;
 - (vii) Transportation;
 - (viii) Utilities; and
 - (ix) Historic preservation.
- (4) Other plans and studies such as:
 - (i) Small area and neighborhood plans;
 - (ii) Capital improvements programs;
 - (iii) Individual project plans (but excluding engineering and design costs related to a specific activity which are eligible as part of the cost of such activity under §§ 570.201-570.204);
 - (iv) The reasonable costs of general environmental, urban environmental design and historic preservation studies. However, costs necessary to comply with 24 CFR Part 58, including project specific environmental assessments and clearances for activities eligible for assistance under this part, are eligible as part of the cost of such activities under §§ 570.201-570.204. Costs for such specific assessments and clearances may also be incurred under this paragraph but would then be considered planning costs for the purposes of § 570.200(g);

- (v) Strategies and action programs to implement plans, including the development of codes, ordinances and regulations;
 - (vi) Support of clearinghouse functions, such as those specified in Executive Order 12372; and
 - (vii) Analysis of impediments to fair housing choice.
- (b) Policy - planning - management - capacity building activities which will enable the recipient to:
- (1) Determine its needs;
 - (2) Set long-term goals and short-term objectives, including those related to urban environmental design;
 - (3) Devise programs and activities to meet these goals and objectives;
 - (4) Evaluate the progress of such programs and activities in accomplishing these goals and objectives; and
 - (5) Carry out management, coordination and monitoring of activities necessary for effective planning implementation, but excluding the costs necessary to implement such plans.

§ 570.206 Program administration costs.

Payment of reasonable administrative costs and carrying charges related to the planning and execution of community development activities assisted in whole or in part with funds provided under this part and, where applicable, housing activities (described in paragraph (g) of this section) covered in the recipient's housing assistance plan. This does not include staff and overhead costs directly related to carrying out activities eligible under § 570.201 through § 570.204, since those costs are eligible as part of such activities.

- (a) General management, oversight and coordination. Reasonable costs of overall program management, coordination, monitoring, and evaluation. Such costs include, but are not necessarily limited to, necessary expenditures for the following:
- (1) Salaries, wages, and related costs of the recipient's staff, the staff of local public agencies, or other staff engaged in program administration. In charging costs to this category the recipient may either include the entire salary, wages, and related costs allocable to the program of each person whose primary responsibilities with regard to the program involve program administration assignments, or the prorata

share of the salary, wages, and related costs of each person whose job includes any program administration assignments. The recipient may use only one of these methods during the program year (or the grant period for grants under Subpart F). Program administration includes the following types of assignments:

- (i) Providing local officials and citizens with information about the program;
 - (ii) Preparing program budgets and schedules, and amendments thereto;
 - (iii) Developing systems for assuring compliance with program requirements;
 - (iv) Developing interagency agreements and agreements with subrecipients and contractors to carry out program activities;
 - (v) Monitoring program activities for progress and compliance with program requirements;
 - (vi) Preparing reports and other documents related to the program for submission to HUD;
 - (vii) Coordinating the resolution of audit and monitoring findings;
 - (viii) Evaluating program results against stated objectives; and
 - (ix) Managing or supervising persons whose primary responsibilities with regard to the program include such assignments as those described in paragraph (a)(1)(i) through (viii) of this section.
- (2) Travel costs incurred for official business in carrying out the program;
 - (3) Administrative services performed under third party contracts or agreements, including such services as general legal services, accounting services, and audit services; and
 - (4) Other costs for goods and services required for administration of the program, including such goods and services as rental or purchase of equipment, insurance, utilities, office supplies, and rental and maintenance (but not purchase) of office space.

- (b) Public information. The provision of information and other resources to residents and citizen organizations participating in the planning, implementation, or assessment of activities being assisted with CDBG funds.
- (c) Fair housing activities. Provision of fair housing services designed to further the fair housing objectives of Title VIII of the Civil Rights Act of 1968 by making persons of all races, colors, religions, sexes, and national origins aware of the range of housing opportunities available to them; other fair housing enforcement, education, and outreach activities; and other activities designed to further the housing objective of avoiding undue concentrations of assisted persons in areas containing a high proportion of low and moderate income persons.
- (d) (Removed and Reserved)
- (e) Indirect Costs. Indirect costs may be charged to the CDBG program under a cost allocation plan prepared in accordance with OMB Circulars A-21, A-87 or A-122 as applicable.
- (f) Submission of applications for Federal programs. Preparation of documents required for submission to HUD to receive funds under the CDBG and UDAG programs, except as limited under Subpart F at § 570.433(a)(3). In addition, CDBG funds may be used to prepare applications for other Federal programs where the recipient determines that such activities are necessary or appropriate to achieve its community development objectives.
- (g) Administrative expenses to facilitate housing. CDBG funds may be used for necessary administrative expenses in planning or obtaining financing for housing as follows: for entitlement recipients, assistance authorized by this paragraph is limited to units which are identified in the recipient's HUD approved housing assistance plan; for HUD-administered small cities recipients, assistance authorized by the paragraph is limited to facilitating the purchase or occupancy of existing units which are to be occupied by low and moderate income households, or the construction of rental or owner units where at least 20 percent of the units in each project will be occupied at affordable rents/costs by low and moderate income persons. Examples of eligible actions are as follows:
 - (1) The cost of conducting preliminary surveys and analysis of market needs;
 - (2) Site and utility plans, narrative descriptions of the proposed construction, preliminary cost estimates, urban design documentation, and "sketch drawings," but excluding architectural, engineering, and other details ordinarily

required for construction purposes, such as structural, electrical, plumbing, and mechanical details;

- (3) Reasonable costs associated with development of applications for mortgage and insured loan commitments, including commitment fees, and of applications and proposals under the Section 8 Housing Assistance Payments Program pursuant to 24 CFR Parts 880-883;
 - (4) Fees associated with processing of applications for mortgage or insured loan commitments under programs including those administered by HUD, Farmers Home Administration (FmHA), Federal National Mortgage Association (FNMA), and the Government National Mortgage Association (GNMA);
 - (5) The cost of issuance and administration of mortgage revenue bonds used to finance the acquisition, rehabilitation or construction of housing, but excluding costs associated with the payment or guarantee of the principal or interest on such bonds; and
 - (6) Special outreach activities which result in greater landlord participation in Section 8 Housing Assistance Payments Program-Existing Housing or similar programs for low and moderate income persons.
- (h) Section 17 of the United States Housing Act of 1937. Reasonable costs equivalent to those described in paragraphs (a), (b), (e) and (f) of this section for overall program management of the Rental Rehabilitation and Housing Development programs authorized under section 17 of the United States Housing Act of 1937, whether or not such activities are otherwise assisted with funds provided under this part.

§ 570.207 Ineligible activities.

The general rule is that any activity that is not authorized under the provisions of §§ 570.201-570.206 is ineligible to be assisted with CDBG funds. This section identifies specific activities that are ineligible and provides guidance in determining the eligibility of other activities frequently associated with housing and community development.

- (a) The following activities may not be assisted with CDBG funds:
 - (1) Buildings or portions thereof, used for the general conduct of government as defined at § 570.3(d) cannot be assisted with CDBG funds. This does not exclude, however, the removal of architectural barriers under § 570.201(k) involving any such building. Also, where acquisition of real property

includes an existing improvement which is to be used in the provision of a building for the general conduct of government, the portion of the acquisition cost attributable to the land is eligible, provided such acquisition meets a national objective described in § 570.208.

- (2) General government expenses. Except as otherwise specifically authorized in this subpart or under OMB Circular A-87, expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance under this part.
 - (3) Political activities. CDBG funds shall not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration. However, a facility originally assisted with CDBG funds may be used on an incidental basis to hold political meetings, candidate forums, or voter registration campaigns, provided that all parties and organizations have access to the facility on an equal basis, and are assessed equal rent or use charges, if any.
- (b) The following activities may not be assisted with CDBG funds unless authorized under provisions of § 570.203 or as otherwise specifically noted herein, or when carried out by a subrecipient under the provisions of § 570.204.
- (1) Purchase of equipment. The purchase of equipment with CDBG funds is generally ineligible.
 - (i) Construction equipment. The purchase of construction equipment is ineligible, but compensation for the use of such equipment through leasing, depreciation, or use allowances pursuant to OMB Circulars A-21, A-87 or A-122 as applicable for an otherwise eligible activity is an eligible use of CDBG funds. However, the purchase of construction equipment for use as part of a solid waste disposal facility is eligible under § 570.201(c).
 - (ii) Fire protection equipment. Fire protection equipment is considered for this purpose to be an integral part of a public facility and thus, purchase of such equipment would be eligible under § 570.201(c).
 - (iii) Furnishings and personal property. The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible. CDBG funds may be used, however, to purchase or to pay depreciation or use allowances (in accordance with OMB Circulars A-21,

A-87 or A-122, as applicable) for such items when necessary for use by a recipient or its subrecipients in the administration of activities assisted with CDBG funds, or when eligible as fire fighting equipment, or when such items constitute all or part of a public service pursuant to § 570.201(e).

- (2) Operating and maintenance expenses. The general rule is that any expense associated with repairing, operating or maintaining public facilities, improvements and services is ineligible. Specific exceptions to this general rule are operating and maintenance expenses associated with public service activities, interim assistance, and office space for program staff employed in carrying out the CDBG program. For example, the use of CDBG funds to pay the allocable costs of operating and maintaining a facility used in providing a public service would be eligible under § 570.201(e), even if no other costs of providing such a service are assisted with such funds. Examples of ineligible operating and maintenance expenses are:

- (i) Maintenance and repair of streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for the handicapped, parking and similar public facilities. Examples of maintenance and repair activities for which CDBG funds may not be used include the filling of pot holes in streets, repairing of cracks in sidewalks, the mowing of recreational areas, and the replacement of expended street light bulbs; and
- (ii) Payment of salaries for staff, utility costs and similar expenses necessary for the operation of public works and facilities.

- (3) New housing construction. For the purpose of this paragraph, activities in support of the development of low or moderate income housing including clearance, site assemblage, provision of site improvements and provision of public improvements and certain housing pre-construction costs set forth in § 570.206(g), are not considered as activities to subsidize or assist new residential construction. CDBG funds may not be used for the construction of new permanent residential structures or for any program to subsidize or assist such new construction, except:

- (i) As provided under the last resort housing provisions set forth in 24 CFR Part 42;

- (ii) As authorized under § 570.201(m); or
 - (iii) When carried out by a subrecipient pursuant to § 570.204(a);
- (4) Income payments. The general rule is that CDBG funds shall not be used for income payments for housing or any other purpose. Examples of ineligible income payments include: payments for income maintenance, housing allowances, down payments, and mortgage subsidies.

§ 570.208 Criteria for national objectives.

The following criteria shall be used to determine whether a CDBG-assisted activity complies with one or more of the national objectives as required under § 570.200(a)(2):

- (a) Activities benefiting low and moderate income persons. Activities meeting the criteria in paragraph (a)(1), (2), (3), or (4) of this section as applicable, will be considered to benefit low and moderate income persons unless there is substantial evidence to the contrary. In assessing any such evidence, the full range of direct effects of the assisted activity will be considered. (The recipient shall appropriately ensure that activities that meet these criteria do not benefit moderate income persons to the exclusion of low income persons.)
- (1) Area benefit activities.
- (i) An activity, the benefits of which are available to all the residents in a particular area, where at least 51 percent of the residents are low and moderate income persons. Such an area need not be coterminous with census tracts or other officially recognized boundaries but must be the entire area served by the activity. An activity that serves an area that is not primarily residential in character shall not qualify under this criterion.
 - (ii) For metropolitan cities and urban counties, an activity that would otherwise qualify under § 570.208(a)(1)(i) except that the area served contains less than 51 percent low and moderate income residents will also be considered to meet the objective of benefiting low and moderate income persons where the proportion of low and moderate income persons in the area is within the highest quartile of all areas in the recipient's jurisdiction in terms of the degree of concentration of such persons. In applying this exception, HUD will

determine the lowest proportion a recipient may use to qualify an area for this purpose as follows:

- (A) All census block groups in the recipient's jurisdiction shall be rank ordered from the block group of highest proportion of low and moderate income persons to the block group with the lowest. For urban counties, the rank ordering shall cover the entire area constituting the urban county and shall not be done separately for each participating unit of general local government.
 - (B) In any case where the total number of a recipient's block groups does not divide evenly by four, the block group which would be fractionally divided between the highest and second quartiles shall be considered to be part of the highest quartile.
 - (C) The proportion of low and moderate income persons in the last census block group in the highest quartile shall be identified. Any service area located within the recipient's jurisdiction and having a proportion of low and moderate income persons at or above this level shall be considered to be within the highest quartile.
 - (D) If block group data are not available for the entire jurisdiction, other data acceptable to the Secretary may be used in the above calculations.
- (iii) For purposes of determining qualification under this criterion, activities of the same type that serve different areas will be considered separately on the basis of their individual service area.
- (iv) In determining whether there is a sufficiently large percentage of low and moderate income persons residing in the area served by an activity to qualify under paragraph (a)(1)(i) or (ii) of this section, the most recently available decennial census information shall be used to the fullest extent feasible, together with the Section 8 income limits that would have applied at the time the income information was collected by the Census Bureau. Recipients that believe that the census data does not reflect current relative income levels in an area, or where census boundaries do not coincide sufficiently well with the service area of an activity, may conduct (or have conducted) a current survey of the residents of the area to determine the percent of such persons that are low and moderate income. HUD will accept information obtained through such surveys, to be

used in lieu of the decennial census data, where it determines that the survey was conducted in such a manner that the results meet standards of statistical reliability that are comparable to that of the decennial census data for areas of similar size. Where there is substantial evidence that provides a clear basis to believe that the use of the decennial census data would substantially overstate the proportion of persons residing there that are low and moderate income, HUD may require that the recipient rebut such evidence in order to demonstrate compliance with section 105(c)(2) of the Act.

(2) Limited clientele activities.

- (i) An activity which benefits a limited clientele, at least 51 percent of whom are low or moderate income persons. (The following kinds of activities may not qualify under this paragraph: activities, the benefits of which are available to all the residents of an area; activities involving the acquisition, construction or rehabilitation of property for housing; or activities where the benefit to low and moderate income persons to be considered is the creation or retention of jobs.) To qualify under this paragraph, the activity must meet one of the following tests:
 - (A) Benefit a clientele who are generally presumed to be principally low and moderate income persons. The following groups are presumed by HUD to meet this criterion: abused children, battered spouses, elderly persons, handicapped persons, homeless persons, illiterate persons and migrant farm workers; or
 - (B) Require information on family size and income so that it is evident that at least 51 percent of the clientele are persons whose family income does not exceed the low and moderate income limit; or
 - (C) Have income eligibility requirements which limit the activity exclusively to low and moderate income persons; or
 - (D) Be of such nature and be in such location that it may be concluded that the activity's clientele will primarily be low and moderate income persons.
- (ii) A special project directed to removal of material and architectural barriers which restrict the mobility and accessibility of elderly or handicapped persons to

publicly owned and privately owned non-residential buildings, facilities and improvements and the common areas of residential structures containing more than one dwelling unit.

- (3) Housing activities. An eligible activity carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low and moderate income households. This would include, but not necessarily be limited to, the acquisition or rehabilitation of property, conversion of non-residential structures, and new housing construction. If the structure contains two dwelling units, at least one must be so occupied, and if the structure contains more than two dwelling units, at least 51 percent of the units must be so occupied. Where two or more rental buildings being assisted are or will be located on the same or contiguous properties, and the buildings will be under common ownership and management, the grouped buildings may be considered for this purpose as a single structure. For rental housing, occupancy by low and moderate income households must be at affordable rents to qualify under this criterion. The recipient shall adopt and make public its standards for determining "affordable rents" for this purpose. The following shall also qualify under this criterion:

- (i) When less than 51 percent of the units in a structure will be occupied by low and moderate income households, CDBG assistance may be provided in the following limited circumstances:
- (A) The assistance is for an eligible activity to reduce the development cost of the new construction of a multifamily, non-elderly rental housing project;
 - (B) Not less than 20 percent of the units will be occupied by low and moderate income households at affordable rents; and
 - (C) The proportion of the total cost of developing the project to be borne by CDBG funds is no greater than the proportion of units in the project that will be occupied by low and moderate income households.
- (ii) When CDBG funds are used to assist rehabilitation eligible under § 570.202(b)(9) or (10) in direct support of the recipient's Rental Rehabilitation program authorized under 24 CFR Part 511, such funds shall be considered to benefit low and moderate income persons

where not less than 51 percent of the units assisted, or to be assisted, by the recipient's Rental Rehabilitation program overall are for low and moderate income persons.

- (4) Job creation or retention activities. An activity designed to create or retain permanent jobs where at least 51 percent of the jobs, computed on a full time equivalent basis, involve the employment of low and moderate income persons. As a general rule, each assisted business shall be considered to be a separate activity for purposes of determining whether the activity qualifies under this paragraph. However, in certain cases such as where CDBG funds are used to acquire, develop or improve a real property (e.g., a business incubator or an industrial park) the requirement may be met by measuring jobs in the aggregate for all the businesses which locate on the property, provided such businesses are not otherwise assisted by CDBG funds. Additionally, where CDBG funds are used to pay for the staff and overhead costs of a § 570.204 subrecipient making loans to businesses from non-CDBG funds, this requirement may be met by aggregating the jobs created by all of the businesses receiving loans during any one year period. For an activity that creates jobs, the recipient must document that at least 51 percent of the jobs will be held by, or will be available to, low and moderate income persons. For an activity that retains jobs, the recipient must document that the jobs would actually be lost without the CDBG assistance and that either or both of the following conditions apply with respect to at least 51 percent of the jobs at the time the CDBG assistance is provided: the job is known to be held by a low or moderate income person; or the job can reasonably be expected to turn over within the following two years and that steps will be taken to ensure that it will be filled by, or made available to, a low or moderate income person upon turnover. Jobs will be considered to be available to low and moderate income persons for these purposes only if:

- (i) Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the business agrees to hire unqualified persons and provide training; and
- (ii) The recipient and the assisted business take actions to ensure that low and moderate income persons receive first consideration for filling such jobs.

Note: Expenditures for activities meeting the criteria for benefiting low and moderate income persons shall be used in determining the extent to which the recipient's overall program

benefits such persons. The calculation shall be made following the rules described at § 570.200(a)(3).

- (b) Activities which aid in the prevention or elimination of slums or blight. Activities meeting one or more of the following criteria, in the absence of substantial evidence to the contrary, will be considered to aid in the prevention or elimination of slums or blight:
- (1) Activities to address slums or blight on an area basis. An activity will be considered to address prevention or elimination of slums or blight in an area if:
- (i) The area, delineated by the recipient, meets a definition of a slum, blighted, deteriorated or deteriorating area under State or local law;
 - (ii) Throughout the area there is a substantial number of deteriorated or deteriorating buildings or the public improvements are in a general state of deterioration;
 - (iii) Documentation is maintained by the recipient on the boundaries of the area and the condition which qualified the area at the time of its designation; and
 - (iv) The assisted activity addresses one or more of the conditions which contributed to the deterioration of the area. Rehabilitation of residential buildings carried out in an area meeting the above requirements will be considered to address the area's deterioration only where each such building rehabilitated is considered substandard under local definition before rehabilitation, and all deficiencies making a building substandard have been eliminated if less critical work on the building is undertaken. At a minimum, the local definition for this purpose must be such that buildings that it would render substandard would also fail to meet the housing quality standards for the Section 8 Housing Assistance Payments Program-Existing Housing (24 CFR 882.109).
- (2) Activities to address slums or blight on a spot basis. Acquisition, clearance, relocation, historic preservation and building rehabilitation activities which eliminate specific conditions of blight or physical decay on a spot basis not located in a slum or blighted area will meet this objective. Under this criterion, rehabilitation is limited to the extent necessary to eliminate specific conditions detrimental to public health and safety.

(3) Activities to address slums or blight in an urban renewal area. An activity will be considered to address prevention or elimination of slums or blight in an urban renewal area if the activity is:

- (i) located within an urban renewal project area or Neighborhood Development Program (NDP) action area; i.e., an area in which funded activities were authorized under an urban renewal Loan and Grant Agreement or an annual NDP Funding Agreement, pursuant to Title I of the Housing Act of 1949; and
- (ii) necessary to complete the urban renewal plan, as then in effect, including initial land redevelopment permitted by the plan.

Note: Despite the restrictions in (b)(1) and (2) of this section, any rehabilitation activity which benefits low and moderate income persons pursuant to paragraph (a)(3) of this section can be undertaken without regard to the area in which it is located or the extent or nature of rehabilitation assisted.

(c) Activities designed to meet community development needs having a particular urgency. In the absence of substantial evidence to the contrary, an activity will be considered to address this objective if the recipient certifies that the activity is designed to alleviate existing conditions which pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, that the recipient is unable to finance the activity on its own, and that other sources of funding are not available. A condition will generally be considered to be of recent origin if it developed or became critical within 18 months preceding the certification by the recipient.

(d) Additional criteria.

- (1) Where the assisted activity is acquisition of real property, a preliminary determination of whether the activity addresses a national objective may be based on the planned use of the property after acquisition. A final determination shall be based on the actual use of the property, excluding any short-term, temporary use. Where the acquisition is for the purpose of clearance which will eliminate specific conditions of blight or physical decay, the clearance activity shall be considered the actual use of the property. However, any subsequent use or disposition of the cleared property shall be treated as a "change of use" under § 570.505.
- (2) Where the assisted activity is relocation assistance that the recipient is required to provide, such relocation assistance

shall be considered to address the same national objective as is addressed by the displacing activity. Where the relocation assistance is voluntary on the part of the grantee the recipient may qualify the assistance either on the basis of the national objective addressed by the displacing activity or on the basis that the recipients of the relocation assistance are low and moderate income persons.

- (3) In any case where the activity undertaken for the purpose of creating or retaining jobs is a public improvement and the area served is primarily residential, the activity must meet the requirements of paragraph (a)(1) of this section as well as those of paragraph (a)(4) of this section in order to qualify as benefiting low and moderate income persons.
- (4) CDBG funds expended for planning and administrative costs under § 570.205 and § 570.206 will be considered to address the national objectives.

Subpart D -- Entitlement Grants.

Sec.

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Subpart D -- Entitlement Grants.

§ 570.300 General.

This subpart describes the policies and procedures governing the making of community development block grants to entitlement communities. The policies and procedures set forth in Subparts A, C, J, K, and O of this part also apply to entitlement grantees.

§ 570.301 Presubmission requirements.

Prior to the submission to HUD for its annual grant, the grantee must:

- (a) Develop a proposed statement of community development objectives and projected use of funds, including the following items:
 - (1) The community development objectives the grantee proposes to pursue.
 - (2) The community development activities the grantee proposes to carry out with anticipated CDBG funds, including all funds identified in paragraph (b)(1)(i) of this section, to address its identified community development objectives. Each such activity must:
 - (i) Meet the applicable requirements of 24 CFR 570 Subpart C; and
 - (ii) Be described in sufficient detail, including location, to allow citizens to determine the degree to which they may be affected.

- (b) In a manner which provides for the timely citizen examination, appraisal, and comment on its statements, meet the following citizen participation requirements:
- (1) Furnish citizens with information concerning:
 - (i) The amount of CDBG funds expected to be available (including the annual grant, program income expected to be received during the program year together with program income received during the preceding program year and that has not yet been programmed for use, and surplus from urban renewal settlement for community development and housing activities);
 - (ii) The range of activities that may be undertaken with those funds pursuant to the criteria in 24 CFR 570 Subpart C;
 - (iii) The estimated amount of those funds proposed to be used for activities that will benefit low and moderate income persons;
 - (iv) The proposed CDBG activities likely to result in displacement and the grantee's plans (consistent with the grantee's Housing Assistance Plan and policies developed pursuant to § 570.606(b)) for minimizing such displacement of persons as a result of its proposed activities; and
 - (v) The types and levels of assistance the grantee will make available (or to require others to make available) to persons displaced by CDBG funded activities, even if the grantee expects no such displacement to occur.
 - (2) Hold at least one public hearing to obtain the views of citizens on the grantee's housing and community development needs (grantees may elect to hold additional hearings and to cover other subjects through such public hearings, such as obtaining views on specific community development or housing activities).
 - (3) Publish community-wide its proposed statement of community development objectives and projected use of funds so as to afford affected citizens an opportunity to examine the statement's contents, and to provide comments on the proposed statement and on the grantee's community development performance.
- (c) Prepare its final statement of community development objectives and projected use of funds. Once the grantee has completed the

citizen participation requirements in paragraph (b) of this section, the grantee must consider any such comments and views received and if the grantee deems appropriate modify the proposed statement. The grantee shall make the final statement available to the public. The final statement may include activities which do not either benefit low and moderate income persons or prevent or eliminate slums and blight only if the grantee identifies such activities in the final statement and certifies that such activities are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available.

- (d) Submit and receive approval of its housing assistance plan in accordance with § 570.306.

(Approved by Office of Management and Budget under Control No. 2506-0077)

§ 570.302 Submission requirements.

- (a) Content. In order to receive its annual CDBG entitlement grant, a grantee must submit the following:
 - (1) Standard Form 424;
 - (2) A copy of the grantee's final statement of community development objectives and projected use of funds, covering the same items as listed in § 570.301(a); and
 - (3) Certifications satisfactory to the Secretary covering all of the items listed in § 570.303.
- (b) Timing of submissions.
 - (1) In order to facilitate continuity in its program, the grantee should submit its final statement to HUD at least 30 days prior to the start of its community development program year, but in no event will HUD accept a submission for a grant earlier than December 1 or later than the first working day in September of the Federal fiscal year for which the grant funds are appropriated.
 - (2) A program year shall run for a twelve month period. A grantee may, however, either shorten or lengthen its program year, provided HUD receives written notice of a lengthened program year at least two months prior to the date the program year would have ended if it had not been lengthened,

or HUD receives notice of a shortened program year at least two months prior to the end of the shortened program year.

(Approved by the Office of Management and Budget under Control No. 2506-0077)

§ 570.303 Certifications.

The grantee shall submit certifications that:

- (a) It possesses legal authority to make a grant submission and to execute a community development and housing program;
- (b) Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the person identified as the official representative of the grantee to submit the final statement and amendments thereto and all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the grantee to act in connection with the submission of the final statement and to provide such additional information as may be required.
- (c) Prior to submission of its final statement to HUD, the grantee has:
 - (1) Met the citizen participation requirements of section 104(a)(3) of the Act; and
 - (2) Prepared its final statement of community development objectives and projected use of funds in accordance with § 570.301(c) and made the final statement available to the public.
- (d) The grantee will affirmatively further fair housing, and the grant will be conducted and administered in compliance with:
 - (1) Title VI of the Civil Rights Act of 1964 (Pub. L. 88-352, 42 U.S.C. 2000d et seq.); and
 - (2) Title VIII of the Civil Rights Act of 1968 (Pub. L. 90-284, 42 U.S.C. 3601 et seq.).
- (e) It has developed its final statement of projected use of funds so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight. [The final statement of projected use of funds may also include activities which the grantee certifies pursuant to § 570.301(c) are designed to meet other community development needs having a particular urgency.]

- (f) In the aggregate, at least 60 percent of all CDBG funds, as defined at § 570.3(e), to be expended during the one, two or three consecutive program years specified by the grantee will be for activities which benefit low and moderate income persons, as described in criteria at 24 CFR 570.208(a).
- (g) Its notification, inspection, testing and abatement procedures concerning lead-based paint will comply with § 570.608.
- (h) It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as required under § 570.606(a) and HUD implementing regulations at 24 CFR Part 42; the requirements in § 570.606(b) governing the residential antidisplacement and relocation assistance plan under section 104(d) of the Housing and Community Development Act of 1974 (the Act) (including a certification that the grantee is following such a plan); the relocation requirements of § 570.606(c) governing displacement subject to section 104(k) of the Act; and the relocation requirements of § 570.606(d) governing optional relocation assistance under section 105(a)(11) of the Act.
- (i) It has developed a community development plan, which at a minimum, covers the same one, two or three program years pursuant to paragraph (f) of this section. At a minimum the community development plan must:
 - (1) Identify the grantee's community development needs and housing needs; and
 - (2) Specify both short-term and long-term community development objectives, consistent with the grantee's final statement, that have been developed in accordance with the primary objective of the Act and the requirements of this part.
- (j) It will comply with the requirements of § 570.200(c)(2) with regard to the use of special assessments to recover the capital costs of activities assisted with CDBG funds.
- (k) (Where applicable, the grantee may also include the following additional certification.) It lacks sufficient resources from funds provided under this subpart or program income to allow it to comply with the provisions of § 570.200(c)(2), and it must therefore assess properties owned and occupied by moderate income persons, to recover the non-CDBG funded portion of the capital cost without paying such assessments in their behalf from CDBG funds.

- (l) It is following a current housing assistance plan which has been approved by HUD pursuant to § 570.306.
- (m) It will comply with the other provisions of the Act and with other applicable laws.

§ 570.304 Making of grants.

- (a) Acceptance of final statement and certifications. The final statement and certifications will be accepted by the responsible HUD field office unless it is determined that one or more of the following requirements have not been met.
 - (1) Completeness. The submission shall include all of the components required in § 570.302(a).
 - (2) Timeliness. The submission must be received within the time period established in § 570.302(b)(1).
 - (3) Certifications. The certifications made by the grantee will be satisfactory to the Secretary if made in conformance with § 570.303, unless the Secretary has determined pursuant to Subpart O that the grantee has not complied with the requirements of this part or has failed to carry out its housing assistance plan in a timely manner, or determined that there is evidence, not directly involving the grantee's past performance under this program, which tends to challenge in a substantial manner the grantee's certification of future performance. If the Secretary makes any such determination, however, further assurances may be required to be submitted by the grantee as the Secretary may deem warranted or necessary to find the grantee's certification satisfactory.
- (b) Grant agreement. The grant will be made by means of a grant agreement executed by both HUD and the grantee.
- (c) Grant amount. The Secretary will make a grant in the full entitlement amount, generally within the last 30 days of the grantee's current program year, unless:
 - (1) The final statement or certifications are not received by the first working day in September or are not acceptable under paragraphs (a)(1) and (3) of this section in which case the grantee will forfeit the entire entitlement amount; or
 - (2) The grantee's performance does not meet the performance requirements or criteria prescribed in Subpart O and the grant amount is reduced.

- (d) Conditional grant. The Secretary may make a conditional grant in which case the obligation and use of grant funds for activities may be restricted. Conditional grants may be made where there is substantial evidence that there has been, or there will be, a failure to meet the performance requirements or criteria described in Subpart O. In such case, the conditional grant will be made by means of a grant agreement, executed by HUD, which includes the terms of the condition specifying the reason for the conditional grant, the actions necessary to remove the condition and the deadline for taking those actions. The grantee shall execute and return such an agreement to HUD within 60 days of the date of its transmittal. Failure of the grantee to execute and return the grant agreement within 60 days may be deemed by HUD to constitute rejection of the grant by the grantee and shall be cause for HUD to determine that the funds provided in the grant agreement are available for reallocation in accordance with section 106(c) of the Act. Failure to satisfy the condition may result in a reduction in the entitlement amount pursuant to § 570.911.

§ 570.305 Amendments.

- (a) The grantee shall amend its final statement whenever it decides not to carry out an activity described in the final statement, to carry out an activity not previously described, or to substantially change the purpose, scope, location, or beneficiaries of an activity. Within 120 days of the effective date of this rule or, for a new grantee, prior to submission of its final statement, the grantee shall develop and make public its criteria for what constitutes a substantial change for this purpose.
- (b) Prior to amending its final statement, the grantee shall provide citizens with reasonable notice of, and opportunity to comment on, such proposed changes in its use of funds. The grantee shall consider any such comments and, if the grantee deems appropriate, modify the changes. The grantee shall make available to the public, and shall submit to HUD, a description of any changes adopted. A letter transmitting such description to HUD shall be signed by the official representative of the grantee.

§ 570.306 Housing assistance plan.

- (a) Purpose. In its housing assistance plan (HAP), each metropolitan city and urban county surveys its housing conditions, assesses the housing assistance needs of its low and moderate income households, specifies goals for the number of dwelling units and low and moderate income households to be assisted, and indicates the general locations of proposed assisted housing for low and moderate income persons.

- (b) Use. A grantee's HAP is a basis upon which HUD approves or disapproves assisted housing in the grantee's jurisdiction and against which HUD monitors a grantee's provision of assisted housing.
- (c) Grantee's responsibility. Each grantee is responsible for implementing its HAP expeditiously. This includes the timely achievement of goals for assisted housing. Each grantee is expected to use all available resources and, when needed, to take all actions within its control to implement the approved HAP. Performance under the HAP is one of the factors considered in grantee performance reviews conducted as provided in Subpart O of this part. Subpart O also provides further requirements relating to the responsibility of the grantee in implementing its HAP.
- (d) General.
- (1) The HAP consists of the five components described in paragraph (e) of this section. The HAP shall be submitted to HUD by an authorized representative of the grantee.
 - (2) Each city or county which expects to receive an entitlement grant shall submit a HAP between September 1 and October 31 prior to its submission of the final statement required by § 570.302. The HAP will be considered in effect from October 1 through September 30 for purposes of crediting performance against the goals established regardless of the specific date that HUD approves the HAP. A grantee which has a three year goal which will be in effect for the fiscal year in which the final statement is to be submitted need only submit an annual goal and may reference (to the extent that there have been no significant changes) the other required portions of the HAP.
 - (3) Any newly entitled community which was not made aware of its entitlement status by August 31 shall be considered unable to comply with the October 31 deadline and may submit an interim HAP in accordance with the requirements of paragraph (e)(6) of this section in lieu of the requirements of paragraphs (e)(1) through (e)(5) of this section.
- (e) Housing conditions, needs, goals, and locations.
- (1) Conditions. The grantee shall describe the condition of the current housing stock in the community by providing a statistical profile (including an identification of data sources and data time frames) by tenure type (renter and owner), which describes housing conditions by the number of occupied, vacant and abandoned dwelling units in standard and substandard condition. The grantee shall develop its own definition of substandard housing which, at a minimum, shall

include units which do not meet the housing quality standards of the Section 8 Housing Assistance Payments Program-- Existing Housing (24 CFR 882.109) and shall include such definition in its submission. In addition, the grantee shall identify the number of its occupied, vacant and abandoned substandard housing units which it considers to be suitable for rehabilitation, and include its definition of suitable for rehabilitation in the HAP submission.

(2) Needs.

- (i) The grantee shall assess the housing assistance needs of low and moderate income households currently residing in the community by tenure and, for households requiring rental subsidies, by household type (elderly, small family and non-elderly individuals, and large family), including households expected to be involuntarily displaced by public and private action over the three year period of the HAP. The grantee shall also assess the housing assistance needs of low and moderate income households that could reasonably be expected to reside in the community. Such households are those that could be expected to reside in the community as a result of existing and projected employment opportunities, and the estimate shall consider changes in population known to have occurred since the last Census. For elderly households, the estimate of those that are expected to reside in the community must be based on the number known to be seeking assisted housing in the community or using the community's health services. In no case shall the estimate of all households expected to reside be less than zero.
- (ii) A narrative statement accompanying the needs shall indicate the composition of the needs of low and moderate income persons including separate numerical estimates, by tenure and household type, for households to be involuntarily displaced, households expected to reside, and total minority households. This narrative statement shall also include the source and date of the data used in developing the needs assessment. In addition, the narrative shall include a description which summarizes any special housing conditions and/or any special housing needs of particular groups of low and moderate income households in the community. Such description shall include but need not be limited to, discussion of the special housing needs and/or conditions of individual minority groups, impact of conversion of rental housing to condominium or cooperative ownership, handicapped persons, and single heads of household. All handicapped single person

households (elderly and nonelderly) as well as two person households which include one elderly person and one handicapped person, must be included in the elderly category, but separately identified in the narrative. All other nonelderly handicapped persons must be included with small or large family households, according to the size of their households.

(3) Three year goal.

- (i) The grantee shall specify a realistic three year goal by tenure type for goals which are designed to improve the condition of the housing stock, and also by household type for the number of households to be assisted with rental subsidies. The three year goal must include all assisted housing resources which can be expected to be available to the grantee. In addition, the grantee shall identify the maximum number of HUD assisted rental units it will accept during that three year period of each housing type (i.e., new, rehabilitation, existing) in an amount at least equal to the total number of HUD assisted rental goals by household type.
- (ii) Goals relating to improving the condition of the housing stock should be based on an evaluation of the data presented in the housing conditions portion of the HAP as well as other current data available to the grantee.
- (iii) The goals relating to households to be assisted with rental subsidies must be proportional to need by household type, except that HUD may approve or require a different proportion in cases of:
 - (A) Disproportionate provision of assisted housing under a previous HAP;
 - (B) Significant displacement of a particular household type;
 - (C) Adjustments for projects of feasible size;
 - (D) Natural disasters;
 - (E) Meeting the requirements of sections 105(f) and (h) of the Housing Act of 1949, as amended (42 U.S.C. 1450 et seq.) or of § 570.606(b)(1);
 - (F) As provided under paragraph (e)(3)(vi) of this section.

- (iv) The majority of goals for the rehabilitation of dwelling units must assist low and moderate income households. For this purpose, publicly assisted rehabilitation of a dwelling unit shall be deemed to assist a low and moderate income household when the dwelling unit, after rehabilitation, is occupied by a low and moderate income household.
- (v) Each grantee shall include a narrative describing those specific actions which the grantee will take to address any special housing conditions or needs identified in § 570.306(e)(2)(ii) above, as well as any actions determined necessary to ensure the timely achievement of its three year goals (including a discussion of any expected or known impediments and planned remedies); those specific actions that the grantee will take to minimize displacement of low income persons and of moderate income persons, specified separately; and those specific actions that the grantee will take to preserve or expand the availability of housing for low income persons and for moderate income persons, specified separately, such as the preservation of single room occupancy housing and the development by public and private nonprofit organizations of vacant properties that become available under in rem proceedings.
- (vi) Amendments to three-year goals occurring in the second or third year of such goals may contain goals which are not proportional to need by household type under the following circumstances:
 - (A) The amendment is for the sole purpose of accommodating an otherwise acceptable proposal for housing assistance from HUD;
 - (B) The likely level of resources available for the other household types precludes the commensurate increase of the goals for those categories; and
 - (C) HUD determines that, with respect to meeting the three year goals for the other household types, the grantee has taken all reasonable actions necessary to make use of available resources and has taken no actions designed to block the provision of housing assistance.

(4) Annual goal.

- (i) The grantee shall specify an annual goal which must include all assisted housing resources which can be expected to be available to the grantee; be established

considering feasible project size; and constitute reasonable progress towards meeting the three year goal. In addition, the grantee shall indicate its preference for the distribution of HUD's assisted rental housing by housing type (i.e., new, rehabilitation, existing).

- (ii) In its annual goal, the grantee shall also describe the specific actions (including any new problems encountered and planned remedies) it will take during the year to meet its annual goal and, as appropriate, its three year goal; those specific actions that the grantee will take to minimize displacement of low income persons and of moderate income persons, specified separately; and those specific actions that the grantee will take to preserve or expand the availability of housing for low income persons and for moderate income persons, specified separately, such as the preservation of single room occupancy housing and the development by public and private nonprofit organizations of vacant properties that become available under in rem proceedings. The grantee must also include a description of the provisions that it will make to assure that a majority of dwelling units to receive rehabilitation subsidy will assist low and moderate income households.

(5) General locations.

- (i) A grantee having goals for new construction or substantial rehabilitation shall identify general locations of proposed projects with the objective of furthering community revitalization, promoting housing opportunity, enabling persons that are to be involuntarily displaced to remain in their neighborhoods, avoiding undue concentrations of assisted housing in areas containing high proportions of low and moderate income persons, and assuring the availability of public facilities and services.
- (ii) The grantee may, at its option, designate any of the general locations identified pursuant to paragraph (e) (5)(i) of this section as High Priority areas. (Under provisions of HUD's assisted housing ranking procedures, a higher rating can be obtained under the ranking criteria with respect to responsiveness of proposed projects to preferences and priorities of applicable HAPs.)
- (iii) Each general location identified under paragraph (e) (5)(i) of this section must contain at least one site which conforms to the Departmental regulations and policies relating to the site and neighborhood

standards established for the appropriate HUD assisted housing program.

- (iv) Identification of the general locations must be accomplished by attaching a map to the HAP except that the HUD field office may accept a listing where it determines that the development of a map would present a hardship for the grantee.
- (6) Interim HAP. A newly entitled grantee which has not been notified by HUD in sufficient time to meet the October 31 HAP submittal deadline (see § 570.306(d)(3)) shall submit an interim HAP at least 45 days prior to the submission of its final statement. Such submission shall include a narrative description of the condition of the housing stock; a narrative assessment of the housing assistance needs of low and moderate income households; a realistic annual goal indicating the number of dwelling units by housing type, and low and moderate income households by household type, to be assisted during the balance of the fiscal year; and a listing of general locations of proposed new construction and substantially rehabilitated housing for low and moderate income persons; and any other element specifically required under section 104(c) of the Act. This HAP submission will be effective through September 30 of the year in which it is submitted.
- (f) Amendments to the HAP. The grantee shall amend its HAP whenever there is a substantial change in its housing needs or the public resources available to address those needs and shall notify HUD within 45 days of any changes it makes to its HAP.
- (g) HUD review of HAPs, interim HAPs, and amendments. HUD will review these HAP submissions to assure that the requirements of this section have been met, and will approve them unless the grantee's stated conditions and needs are plainly inconsistent with significant facts or data generally available; the grantee's proposed goals and activities are plainly inappropriate to meeting those conditions or needs; or the HAP fails to comply with other provisions of this section. Within 30 days of the date that the submission is received, HUD will notify the grantee in writing that the submission has been approved, disapproved, or that a final decision is still pending (in which case HUD may take no more than 30 additional days to decide whether to approve or disapprove the submission). In the event that HUD has not notified the grantee in writing within 30 days of receipt, the submission shall be considered fully approved.

(Approved by the Office of Management
and Budget under Control No. 2506-0077)

§ 570.307 Urban counties.

- (a) Determination of qualification. The Secretary will determine the qualifications of counties to receive entitlements as urban counties upon receipt of qualification documentation from counties at such time, and in such manner and form as prescribed by HUD. The Secretary shall determine eligibility and applicable portions of each eligible county for purposes of fund allocation under section 106 of the Act on the basis of information available from the U.S. Bureau of the Census with respect to population and other pertinent demographic characteristics, and based on information provided by the county and its included units of general local government.
- (b) Qualification as an urban county.
- (1) A county will qualify as an urban county if such county meets the definition at § 570.3(ee). As necessitated by this definition, the Secretary shall determine which counties have authority to carry out essential community development and housing assistance activities in their included units of general local government without the consent of the local governing body and which counties must execute cooperation agreements with such units to include them in the urban county for qualification and grant calculation purposes.
 - (2) At the time of urban county qualification, HUD may refuse to recognize the cooperation agreement of a unit of general local government in an urban county where, based on past performance and other available information, there is substantial evidence that such unit does not cooperate in the implementation of the essential community development or housing assistance activities or where legal impediments to such implementation exist, or where participation by a unit of general local government in noncompliance with the applicable law in Subpart K would constitute noncompliance by the urban county. In such a case, the unit of general local government will not be permitted to participate in the urban county, and its population or other needs characteristics will not be considered in the determination of whether the county qualifies as an urban county or in determining the amount of funds to which the urban county may be entitled. HUD will not take this action unless the unit of general local government and the county have been given an opportunity to challenge HUD's determination and to informally consult with HUD concerning the proposed action.

- (c) Essential activities. For purposes of this section, the term "essential community development and housing assistance activities" means community renewal and lower income housing activities, specifically urban renewal and publicly assisted housing. In determining whether a county has the required powers, the Secretary will consider both its authority and, where applicable, the authority of its designated agency or agencies.
- (d) Period of qualification.
- (1) The qualification by HUD of an urban county shall remain effective for three successive Federal fiscal years regardless of changes in its population during that period, except as provided under paragraph (f) of this section and except as provided under § 570.3(ee)(3) of this part where the period of qualification shall be two successive Federal fiscal years.
 - (2) During the period of qualification, no included unit of general local government may withdraw from nor be removed from the urban county for HUD's grant computation purposes.
 - (3) If some portion of an urban county's unincorporated area becomes incorporated during the urban county qualification period, the newly incorporated unit of general local government shall not be excluded from the urban county nor shall it be eligible for a separate grant under Subparts D, F, or I until the end of the urban county's current qualification period, unless the urban county fails to receive a grant for any year during that qualification period.
- (e) Grant ineligibility of included units of general local government.
- (1) An included unit of general local government cannot become eligible for an entitlement grant as a metropolitan city during the period of qualification of the urban county (even if it becomes a central city of a metropolitan area or its population surpasses 50,000 during that period). Rather, such a unit of general local government shall continue to be included as part of the urban county for the remainder of the urban county's qualification period, and no separate grant amount shall be calculated for the included unit.
 - (2) An included unit of general local government which is part of an urban county shall be ineligible to apply for grants under Subpart F, or to be a recipient of assistance under Subpart I, during the entire period of urban county qualification.

- (f) Failure of an urban county to receive a grant. Failure of an urban county to receive a grant during any year shall terminate the existing qualification of that urban county, and that county shall requalify as an urban county before receiving an entitlement grant in any successive Federal fiscal year. Such termination shall release units of general local government included in the urban county, in subsequent years, from the prohibition to receive grants under paragraphs (d)(3), (e)(1) and (e)(2) of this section. For this purpose an urban county shall be deemed to have received a grant upon having satisfied the requirements of sections 104(a), (b), (c), and (d) of the Act, without regard to adjustments which may be made to this grant amount under sections 104(e) or 111 of the Act.
- (g) Notifications of the opportunity to be excluded. Any county seeking to qualify for an entitlement grant as an urban county for any Federal fiscal year shall notify each unit of general local government which is located, in whole or in part, within the county and which would otherwise be included in the urban county, but which is eligible to elect to have its population excluded from that of the urban county, that it has the opportunity to make such an election, and that such an election, or the failure to make such an election, shall be effective for the period for which the county qualifies as an urban county. These notifications shall be made by a date specified by HUD. A unit of general local government which elects to be excluded from participation as a part of the urban county shall notify the county and HUD in writing by a date specified by HUD. Such a unit of government may subsequently elect to participate in the urban county for the remaining one or two year period by notifying HUD and the county, in writing, of such election by a date specified by HUD.

§ 570.308 Joint requests.

- (a) Joint requests and cooperation agreements.
- (1) Any urban county and any metropolitan city located, in whole or in part, within that county may submit a joint request to HUD to approve the inclusion of the metropolitan city as a part of the urban county for purposes of planning and implementing a joint community development and housing program. Such a joint request shall only be considered if submitted at the time the county is seeking a three year qualification or requalification as an urban county. Such a joint request shall, upon approval by HUD, remain effective for the period for which the county is qualified as an urban county. An urban county may be joined by more than one metropolitan city, but a metropolitan city located in more

than one urban county may only be included in one urban county for any program year. A joint request shall be deemed approved by HUD unless HUD notifies the city and the county of its disapproval and the reasons therefore within 30 days of receipt of the request by HUD.

- (2) Each metropolitan city and urban county submitting a joint request shall submit an executed cooperation agreement to undertake or to assist in the undertaking of essential community development and housing assistance activities, as defined in § 570.307(c).
- (b) Joint grant amount. The grant amount for a joint recipient shall be the sum of the amounts authorized for the individual entitlement grantees, as described in section 106 of the Act. The urban county shall be the grant recipient.
 - (c) Effect of inclusion. Upon urban county qualification and HUD approval of the joint request and cooperation agreement, the metropolitan city shall be considered a part of the urban county for purposes of program planning and implementation for the period of the urban county qualification, and shall be treated the same as any other unit of general local government which is part of the urban county.
 - (d) Submission requirements. In requesting a grant under this part, the urban county shall make a single submission which meets the submission requirements of this subpart and covers all members of the joint recipient.

Subpart J -- Grant Administration.

Sec.

- 570.500 Definitions.
- 570.501 Responsibility for grant administration.
- 570.502 Applicability of uniform administrative requirements.
- 570.503 Agreements with subrecipients.
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Subpart J -- Grant Administration.

§ 570.500 Definitions.

For the purposes of this subpart, the following terms shall apply:

- (a) "Program income" means gross income received by the recipient or a subrecipient directly generated from the use of CDBG funds. When program income is generated by an activity that is only partially assisted with CDBG funds, the income shall be prorated to reflect the percentage of CDBG funds used.
 - (1) Program income includes, but is not limited to, the following:
 - (i) Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds;
 - (ii) Proceeds from the disposition of equipment purchased with CDBG funds;
 - (iii) Gross income from the use or rental of real or personal property acquired by the recipient or by a subrecipient with CDBG funds, less costs incidental to generation of the income;

- (iv) Gross income from the use or rental of real property, owned by the recipient or a subrecipient, that was constructed or improved with CDBG funds, less costs incidental to generation of the income;
 - (v) Payments of principal and interest on loans made using CDBG funds;
 - (vi) Proceeds from the sale of loans made with CDBG funds;
 - (vii) Proceeds from the sale of obligations secured by loans made with CDBG funds;
 - (viii) Interest earned on funds held in a revolving fund account;
 - (ix) Interest earned on program income pending its disposition; and
 - (x) Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where the assessments are used to recover all or part of the CDBG portion of a public improvement.
- (2) Program income does not include interest earned (except for interest described in § 570.513) on grant advances from the U.S. Treasury. Such interest shall be remitted to HUD for transmittal to the U.S. Treasury and will not be reallocated under section 106(c) or (d) of the Act. Examples of other receipts that are not considered program income are proceeds from fundraising activities carried out by subrecipients receiving CDBG assistance; funds collected through special assessments used to recover the non-CDBG portion of a public improvement; and proceeds from the disposition of real property acquired or improved with CDBG funds when the disposition occurs after the applicable time period specified in § 570.503(b)(8) for subrecipient-controlled property, or in § 570.505 for recipient-controlled property.
- (b) "Revolving fund" means a separate fund (with a set of accounts that are independent of other program accounts) established for the purpose of carrying out specific activities which, in turn, generate payments to the fund for use in carrying out the same activities.
- (c) "Subrecipient" means a public or private nonprofit agency, authority or organization, or an entity described in § 570.204(c), receiving CDBG funds from the recipient to undertake activities eligible for assistance under Subpart C. The term includes a public agency designated by a metropolitan city or urban county to

receive a loan guarantee under Subpart M, but does not include contractors providing supplies, equipment, construction or services subject to the procurement requirements in 24 CFR 85.36, or in Attachment O of OMB Circular A-110, as applicable.

§ 570.501 Responsibility for grant administration.

- (a) One or more public agencies, including existing local public agencies, may be designated by the chief executive officer of the recipient to undertake activities assisted by this part. A public agency so designated shall be subject to the same requirements as are applicable to subrecipients.
- (b) The recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, subrecipients, or contractors does not relieve the recipient of this responsibility. The recipient is also responsible for determining the adequacy of performance under subrecipient agreements and procurement contracts, and for taking appropriate action when performance problems arise, such as the actions described in § 570.910. Where a unit of general local government is participating with, or as part of, an urban county, or as part of a metropolitan city, the recipient is responsible for applying to the unit of general local government the same requirements as are applicable to subrecipients.

§ 570.502 Applicability of uniform administrative requirements.

- (a) Recipients and subrecipients which are governmental entities (including public agencies) shall comply with the requirements and standards of OMB Circular No. A-87, "Principles for Determining Costs Applicable to Grants and Contracts with State, Local and Federally recognized Indian Tribal Governments", OMB Circular A-128, "Audits of State and Local Governments" (implemented at 24 CFR Part 44) and with the following sections of 24 CFR Part 85 "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments":
 - (1) Section 85.3, "Definitions";
 - (2) Section 85.6, "Exceptions";
 - (3) Section 85.12, "Special grant or subgrant conditions for 'high-risk' grantees";
 - (4) Section 85.20, "Standards for financial management systems," except paragraph (a);

- (5) Section 85.21, "Payment," except as modified by § 570.513;
 - (6) Section 85.22, "Allowable costs";
 - (7) Section 85.26, "Non-federal audits";
 - (8) Section 85.32, "Equipment," except in all cases in which the equipment is sold, the proceeds shall be program income;
 - (9) Section 85.33, "Supplies";
 - (10) Section 85.34, "Copyrights";
 - (11) Section 85.35, "Subawards to debarred and suspended parties";
 - (12) Section 85.36, "Procurement," except paragraph (a);
 - (13) Section 85.37, "Subgrants";
 - (14) Section 85.40, "Monitoring and reporting program performance," except paragraphs (b) through (d) and paragraph (f);
 - (15) Section 85.41, "Financial reporting," except paragraphs (a), (b), and (e);
 - (16) Section 85.42, "Retention and access requirements for records";
 - (17) Section 85.43, "Enforcement";
 - (18) Section 85.44, "Termination for convenience";
 - (19) Section 85.51, "Later disallowances and adjustments" and
 - (20) Section 85.52, "Collection of amounts due."
- (b) Subrecipients, except subrecipients which are governmental entities, shall comply with the requirements and standards of OMB Circular No. A-122, "Cost Principles for Non-Profit Organizations" or OMB Circular No. A-21, "Cost Principles for Educational Institutions," as applicable, and with the following Attachments to OMB Circular No. A-110:
- (1) Attachment A, "Cash Depositories", except for paragraph 4 concerning deposit insurance;

- (2) Attachment B, "Bonding and Insurance";
- (3) Attachment C, "Retention and Custodial Requirements for Records", except that in lieu of the provisions in paragraph 4, the retention period for records pertaining to individual CDBG activities starts from the date of submission of the annual performance and evaluation report, as prescribed in § 570.507, in which the specific activity is reported on for the final time;
- (4) Attachment F, "Standards for Financial Management Systems";
- (5) Attachment H, "Monitoring and Reporting Program Performance," paragraph 2;
- (6) Attachment N, "Property Management Standards", except for paragraph 3 concerning the standards for real property, and except that paragraphs 6 and 7 are modified so that -
 - (i) In all cases in which personal property is sold, the proceeds shall be program income, and
 - (ii) Personal property not needed by the subrecipient for CDBG activities shall be transferred to the recipient for the CDBG program or shall be retained after compensating the recipient; and
- (7) Attachment O, "Procurement Standards."

§ 570.503 Agreements with subrecipients.

- (a) Before disbursing any CDBG funds to a subrecipient, the recipient shall sign a written agreement with the subrecipient. The agreement shall remain in effect during any period that the subrecipient has control over CDBG funds, including program income.
- (b) At a minimum, the written agreement with the subrecipient shall include provisions concerning the following items:
 - (1) Statement of work. The agreement shall include a description of the work to be performed, a schedule for completing the work, and a budget. These items shall be in sufficient detail to provide a sound basis for the recipient effectively to monitor performance under the agreement.
 - (2) Records and reports. The recipient shall specify in the agreement the particular records the subrecipient must maintain and the particular reports the subrecipient must

submit in order to assist the recipient in meeting its recordkeeping and reporting requirements.

- (3) Program income. The agreement shall include the program income requirements set forth in § 570.504(c).
- (4) Uniform administrative requirements. The agreement shall require the subrecipient to comply with applicable uniform administrative requirements, as described in § 570.502.
- (5) Other program requirements. The agreement shall require the subrecipient to carry out each activity in compliance with all Federal laws and regulations described in Subpart K of these regulations, except that:
 - (i) The subrecipient does not assume the recipient's environmental responsibilities described at § 570.604; and
 - (ii) The subrecipient does not assume the recipient's responsibility for initiating the review process under the provisions of 24 CFR Part 52.
- (6) Conditions for religious organizations. Where applicable, the conditions prescribed by HUD for the use of CDBG funds by religious organizations shall be included in the agreement.
- (7) Suspension and termination. The agreement shall specify that, in accordance with 24 CFR 85.43, suspension or termination may occur if the subrecipient materially fails to comply with any term of the award, and that the award may be terminated for convenience in accordance with 24 CFR 85.44.
- (8) Reversion of assets. The agreement shall specify that upon its expiration the subrecipient shall transfer to the recipient any CDBG funds on hand at the time of expiration and any accounts receivable attributable to the use of CDBG funds. It shall also include provisions designed to ensure that any real property under the subrecipient's control that was acquired or improved in whole or in part with CDBG funds in excess of \$25,000 is either:
 - (i) Used to meet one of the national objectives in § 570.208 until five years after expiration of the agreement, or for such longer period of time as determined to be appropriate by the recipient; or
 - (ii) Disposed of in a manner that results in the recipient's being reimbursed in the amount of the current fair market value of the property less any portion of the value attributable to expenditures of non-CDBG funds for

acquisition of, or improvement to, the property.
(Reimbursement is not required after the period of time specified in paragraph (b)(8)(i) of this section.)

§ 570.504 Program income.

- (a) Recording program income. The receipt and expenditure of program income as defined in § 570.500(a) shall be recorded as part of the financial transactions of the grant program.
- (b) Disposition of program income received by recipients.
 - (1) Program income received before grant closeout may be retained by the recipient if the income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.
 - (2) If the recipient chooses to retain program income, that income shall affect withdrawals of grant funds from the U. S. Treasury as follows:
 - (i) Program income in the form of repayments to, or interest earned on, a revolving fund as defined in § 570.500(b) shall be substantially disbursed from the fund before additional cash withdrawals are made from the U.S. Treasury for the same activity. (This rule does not prevent a lump sum disbursement to finance the rehabilitation of privately owned properties as provided for in § 570.513.)
 - (ii) Substantially all other program income shall be disbursed for eligible activities before additional cash withdrawals are made from the U.S. Treasury.
 - (3) Program income on hand at the time of closeout shall continue to be subject to the eligibility requirements in Subpart C and all other applicable provisions of this part until it is expended.
 - (4) Unless otherwise provided in any grant closeout agreement, and subject to the requirements of paragraph (b)(5) of this section, income received after closeout shall not be governed by the provisions of this part, except that, if at the time of closeout the recipient has another ongoing CDBG grant received directly from HUD, funds received after closeout shall be treated as program income of the ongoing grant program.
 - (5) If the recipient does not have another ongoing grant received directly from HUD at the time of closeout, income received

after closeout from the disposition of real property or from loans outstanding at the time of closeout shall not be governed by the provisions of this part, except that such income shall be used for activities that meet one of the national objectives in § 570.208 and the eligibility requirements described in section 105 of the Act.

- (c) Disposition of program income received by subrecipients. The written agreement between the recipient and the subrecipient, as required by § 570.503, shall specify whether program income received is to be returned to the recipient or retained by the subrecipient. Where program income is to be retained by the subrecipient, the agreement shall specify the activities that will be undertaken with the program income and that all provisions of the written agreement shall apply to the specified activities. When the subrecipient retains program income, transfers of grant funds by the recipient to the subrecipient shall be adjusted according to the principles described in paragraphs (b)(2)(i) and (ii) of this section. Any program income on hand when the agreement expires, or received after the agreement's expiration, shall be paid to the recipient as required by § 570.503(b)(8).
- (d) Disposition of certain program income received by urban counties. Program income derived from urban county program activities undertaken by or within the jurisdiction of a unit of general local government which thereafter terminates its participation in the urban county shall continue to be program income of the urban county. The urban county may transfer the program income to the unit of general local government, upon its termination of urban county participation, provided that the unit of general local government has become an entitlement grantee and agrees to use the program income in its own CDBG entitlement program.

§ 570.505 Use of real property.

The standards described in this section apply to real property within the recipient's control which was acquired or improved in whole or in part using CDBG funds in excess of \$25,000. These standards shall apply from the date CDBG funds are first spent for the property until five years after closeout of an entitlement recipient's participation in the entitlement CDBG program or, with respect to other recipients, until five years after the closeout of the grant from which the assistance to the property was provided.

- (a) A recipient may not change the use or planned use of any such property (including the beneficiaries of such use) from that for which the acquisition or improvement was made unless the recipient provides affected citizens with reasonable notice of, and opportunity to comment on, any proposed change, and either:

- (1) The new use of such property qualifies as meeting one of the national objectives in § 570.208 and is not a building for the general conduct of government; or
 - (2) The requirements in paragraph (b) of this section are met.
- (b) If the recipient determines, after consultation with affected citizens, that it is appropriate to change the use of the property to a use which does not qualify under paragraph (a)(1) of this section, it may retain or dispose of the property for the changed use if the recipient's CDBG program is reimbursed in the amount of the current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, and improvements to, the property.
 - (c) If the change of use occurs after closeout, the provisions governing income from the disposition of the real property in § 570.504(b)(4) or (5), as applicable, shall apply to the use of funds reimbursed.
 - (d) Following the reimbursement of the CDBG program in accordance with paragraph (b) of this section, the property no longer will be subject to any CDBG requirements.

§ 570.506 Records to be maintained.

Each recipient shall establish and maintain sufficient records to enable the Secretary to determine whether the recipient has met the requirements of this part. At a minimum, the following records are needed:

- (a) Records providing a full description of each activity assisted (or being assisted) with CDBG funds, including its location (if the activity has a geographical locus), the amount of CDBG funds budgeted, obligated and expended for the activity, and the provision in Subpart C under which it is eligible.
- (b) Records demonstrating that each activity undertaken meets one of the criteria set forth in § 570.208. (Where information on income by family size is required, the recipient may substitute evidence establishing that the person assisted qualifies under another program having income qualification criteria at least as restrictive as that used in the definitions of "low and moderate income person" and "low and moderate income household" (as applicable) at § 570.3; or the recipient may substitute a copy of a verifiable certification from the assisted person that his or her family income does not exceed the applicable income limit established in accordance with § 570.3; or the recipient may substitute a notice that the assisted person is a referral from a state, county or local employment agency or other entity that

agrees to refer individuals it determines to be low and moderate income persons based on HUD's criteria and agrees to maintain documentation supporting these determinations.) Such records shall include the following information:

- (1) For each activity determined to benefit low and moderate income persons, the income limits applied and the point in time when the benefit was determined.
- (2) For each activity determined to benefit low and moderate income persons based on the area served by the activity:
 - (i) The boundaries of the service area;
 - (ii) The income characteristics of families and unrelated individuals in the service area; and
 - (iii) If the percent of low and moderate income persons in the service area is less than 51 percent, data showing that the area qualifies under the exception criteria set forth at § 570.208(a)(1)(ii).
- (3) For each activity determined to benefit low and moderate income persons because the activity involves a facility or service designed for use by a limited clientele consisting exclusively or predominantly of low and moderate income persons:
 - (i) Documentation establishing that the facility or service is designed for and used by senior citizens, handicapped persons, battered spouses, abused children, the homeless, illiterate persons, or migrant farm workers, for which the regulations provide presumptive benefit to low and moderate income persons; or
 - (ii) Documentation describing how the nature and, if applicable, the location of the facility or service establishes that it is used predominantly by low and moderate income persons; or
 - (iii) Data showing the size and annual income of the family of each person receiving the benefit.
- (4) For each activity carried out for the purpose of providing or improving housing which is determined to benefit low and moderate income persons:
 - (i) A copy of a written agreement with each landlord or developer receiving CDBG assistance indicating the total number of dwelling units in each multifamily structure assisted and the number of those units which will be

occupied by low and moderate income households after assistance;

- (ii) The total cost of the activity, including both CDBG and non-CDBG funds.
 - (iii) For each unit occupied by a low and moderate income household, the size and income of the household;
 - (iv) For rental housing only:
 - (A) The rent charged (or to be charged) after assistance for each dwelling unit in each structure assisted; and
 - (B) Such information as necessary to show the affordability of units occupied (or to be occupied) by low and moderate income households pursuant to criteria established and made public by the recipient;
 - (v) For each property acquired on which there are no structures, evidence of commitments ensuring that the criteria in § 570.208(a)(3) will be met when the structures are built; and
 - (vi) Where applicable, records demonstrating that the activity qualifies under the special conditions at § 570.208(a)(3)(i).
- (5) For each activity determined to benefit low and moderate income persons based on the creation of jobs, the recipient shall provide the documentation described in either paragraph (b)(5)(i) or (ii) of this section.
- (i) Where the recipient chooses to document that at least 51 percent of the jobs will be available to low and moderate income persons, documentation for each assisted business shall include:
 - (A) A copy of a written agreement containing:
 - (1) A commitment by the business that it will make at least 51 percent of the jobs available to low and moderate income persons and will provide training for any of those jobs requiring special skills or education;
 - (2) A listing by job title of the permanent jobs to be created indicating which jobs will be available to low and moderate income persons,

which jobs require special skills or education, and which jobs are part-time, if any; and

- (3) A description of actions to be taken by the recipient and business to ensure that low and moderate income persons receive first consideration for those jobs; and
- (B) A listing by job title of the permanent jobs filled, and which jobs of those were available to low and moderate income persons, and a description of how first consideration was given to such persons for those jobs. The description shall include what hiring process was used; which low and moderate income persons were interviewed for a particular job; and which low and moderate income persons were hired.
- (ii) Where the recipient chooses to document that at least 51 percent of the jobs will be held by low and moderate income persons, documentation for each assisted business shall include:
 - (A) A copy of a written agreement containing:
 - (1) A commitment by the business that at least 51 percent of the jobs, on a full-time equivalent basis, will be held by low and moderate income persons; and
 - (2) A listing by job title of the permanent jobs to be created, identifying which are part-time, if any;
 - (B) A listing by job title of the permanent jobs filled and which jobs were initially held by low and moderate income persons; and
 - (C) For each such low and moderate income person hired, the size and annual income of the person's family prior to the person being hired for the job.
- (6) For each activity determined to benefit low and moderate income persons based on the retention of jobs:
 - (i) Evidence that in the absence of CDBG assistance jobs would be lost;
 - (ii) For each business assisted, a listing by job title of permanent jobs retained, indicating which of those jobs

are part-time and (where it is known) which are held by low and moderate income persons at the time the CDBG assistance is provided. Where applicable, identification of any of the retained jobs (other than those known to be held by low and moderate income persons) which are projected to become available to low and moderate income persons through job turnover within two years of the time CDBG assistance is provided. Information upon which the job turnover projections were based shall also be included in the record;

- (iii) For each retained job claimed to be held by a low and moderate income person, information on the size and annual income of the person's family;
 - (iv) For jobs claimed to be available to low and moderate income persons based on job turnover, a description covering the items required for "available to" jobs in paragraph (b)(5) of this section; and
 - (v) Where jobs were claimed to be available to low and moderate income persons through turnover, a listing of each job which has turned over to date, indicating which of those jobs were either taken by, or available to, low and moderate income persons. For jobs made available, a description of how first consideration was given to such persons for those jobs shall also be included in the record.
- (7) For each activity determined to aid in the prevention or elimination of slums or blight based on addressing one or more of the conditions which qualified an area as a slum or blighted area:
- (i) The boundaries of the area; and
 - (ii) A description of the conditions which qualified the area at the time of its designation in sufficient detail to demonstrate how the area met the criteria in § 570.208(b)(1).
- (8) For each residential rehabilitation activity determined to aid in the prevention or elimination of slums or blight in a slum or blighted area:
- (i) The local definition of "substandard";
 - (ii) A pre-rehabilitation inspection report describing the deficiencies in each structure to be rehabilitated; and

- (iii) Details and scope of CDBG assisted rehabilitation, by structure.
- (9) For each activity determined to aid in the prevention or elimination of slums or blight based on the elimination of specific conditions of blight or physical decay not located in a slum or blighted area:
 - (i) A description of the specific condition of blight or physical decay treated; and
 - (ii) For rehabilitation carried out under this category, a description of the specific conditions detrimental to public health and safety which were identified and the details and scope of the CDBG assisted rehabilitation by structure.
 - (10) For each activity determined to aid in the prevention or elimination of slums or blight based on addressing slums or blight in an urban renewal area, a copy of the Urban Renewal Plan, as in effect at the time the activity is carried out, including maps and supporting documentation.
 - (11) For each activity determined to meet a community development need having a particular urgency:
 - (i) Documentation concerning the nature and degree of seriousness of the condition requiring assistance;
 - (ii) Evidence that the recipient certified that the CDBG activity was designed to address the urgent need;
 - (iii) Information on the timing of the development of the serious condition; and
 - (iv) Evidence confirming that other financial resources to alleviate the need were not available.
 - (c) Records which demonstrate that the recipient has made the determinations required as a condition of eligibility of certain activities, as prescribed in §§ 570.201(f), 570.201(i), 570.202(b)(3), 570.203(b), 570.204(a), and 570.206(f).
 - (d) Records which demonstrate compliance with § 570.505 regarding any change of use of real property acquired or improved with CDBG assistance.
 - (e) Records which demonstrate compliance with the citizen participation requirements prescribed in section 104(a)(3) of the Act, and in §§ 570.301(b) and 570.305 for entitlement recipients or § 570.431 for HUD-administered small cities recipients.

- (f) Records which demonstrate compliance with the requirements in § 570.606 regarding acquisition, displacement, relocation, and replacement housing.
- (g) Fair housing and equal opportunity records containing:
 - (1) Documentation of the actions the recipient has carried out with its housing and community development and other resources to remedy or ameliorate any conditions limiting fair housing choice in the recipient's community, and documentation of any other official actions the recipient has taken which demonstrate its support for fair housing, such as development of a fair housing analysis described in § 570.904(c).
 - (2) Data on the extent to which each racial and ethnic group and single-headed households (by gender of household head) have applied for, participated in, or benefited from, any program or activity funded in whole or in part with CDBG funds. Such information shall be used only as a basis for further investigation as to compliance with nondiscrimination requirements. No recipient is required to attain or maintain any particular statistical measure by race, ethnicity, or gender in covered programs.
 - (3) Data on employment in each of the recipient's operating units funded in whole or in part with CDBG funds, with such data maintained in the categories prescribed on the Equal Employment Opportunity Commission's EEO-4 form; and documentation of any actions undertaken to assure equal employment opportunities to all persons regardless of race, color, national origin, sex or handicap in operating units funded in whole or in part under this part.
 - (4) Data indicating the race and ethnicity of households (and gender of single heads of households) displaced as a result of CDBG funded activities, together with the address and census tract of the housing units to which each displaced household relocated. Such information shall be used only as a basis for further investigation as to compliance with nondiscrimination requirements. No recipient is required to attain or maintain any particular statistical measure by race, ethnicity, or gender in covered programs.
 - (5) Documentation of actions undertaken to meet the requirements of § 570.607(b) which implements section 3 of the Housing Development Act of 1968, as amended (12 U.S.C. 1701U) relative to the hiring and training of low and moderate income persons and the use of local businesses.

- (6) Data indicating the racial/ethnic character of each business entity receiving a contract or subcontract of \$25,000 or more paid, or to be paid, with CDBG funds, data indicating which of those entities are women's business enterprises as defined in Executive Order 12138, the amount of the contract or subcontract, and documentation of recipient's affirmative steps to assure that minority business and women's business enterprises have an equal opportunity to obtain or compete for contracts and subcontracts as sources of supplies, equipment, construction and services. Such affirmative steps may include, but are not limited to, technical assistance open to all businesses but designed to enhance opportunities for these enterprises and special outreach efforts to inform them of contract opportunities. Such steps shall not include preferring any business in the award of any contract or subcontract solely or in part on the basis of race or gender.
- (7) Documentation of the affirmative action measures the recipient has taken to overcome prior discrimination, where the courts or HUD have found that the recipient has previously discriminated against persons on the ground of race, color, national origin or sex in administering a program or activity funded in whole or in part with CDBG funds.
- (h) Financial records, in accordance with the applicable requirements listed in § 570.502.
- (i) Agreements and other records related to lump sum disbursements to private financial institutions for financing rehabilitation as prescribed in § 570.513; and
- (j) Records required to be maintained in accordance with other applicable laws and regulations set forth in Subpart K of this part.

(Approved by the Office of Management
and Budget under Control No. 2506-0077)

§ 570.507 Reports.

- (a) Performance and evaluation report.
 - (1) Content. Each performance and evaluation report must contain completed copies of all forms and narratives prescribed by the Secretary, including a summary of the citizen comments received on the report, as prescribed in (a)(3) of this section.

(2) Timing.

- (i) Entitlement grants. Each entitlement grant recipient shall submit a performance and evaluation report:
- (A) No later than 90 days after the completion of the most recent program year showing the status of all activities as of the end of the program year;
 - (B) No later than October 31 each year showing housing assistance performance as of the end of the Federal fiscal year; and
 - (C) No later than 90 days after the criteria for grant closeout, as described in § 570.509(a), have been met.

- (ii) HUD-administered small cities grants. Each small cities recipient shall submit a performance and evaluation report on each grant:

- (A) No later than 12 months after the date of the grant award and annually thereafter on the date of the award until completion of the activities funded under the grant; and
- (B) No later than 90 days after the criteria for grant closeout, as described in § 570.509(a), have been met. If HUD determines that the previous report adequately describes project results, HUD will notify the recipient that a final report is not necessary.

- (3) Citizen comments on the report. Each recipient shall make copies of the performance and evaluation report available to its citizens in sufficient time to permit the citizens to comment on the report prior to its submission to HUD. Each recipient may determine the specific manner and times the report will be made available to citizens consistent with the preceding sentence.

- (b) Equal employment opportunity reports. Recipients of entitlement grants or HUD-administered small cities grants shall submit to HUD each year a report (HUD/EEO-4) on recipient employment containing data as of June 30.

- (c) Minority business enterprise reports. Recipients of entitlement grants, HUD-administered small cities grants or Urban Development Action Grants shall submit to HUD, by April 30, a report on contract and subcontract activity during the first half of the

fiscal year and by October 31 a report on such activity during the second half of the year.

- (d) Other reports. Recipients may be required to submit such other reports and information as HUD determines are necessary to carry out its responsibilities under the Act or other applicable laws.

(Approved by the Office of Management and Budget under Control Nos. 2506-0077 for paragraph (a) and 2529-0008 for paragraph (b) and 2506-0066 for paragraph (c))

§ 570.508 Public access to program records.

Notwithstanding 24 CFR 85.42(f), recipients shall provide citizens with reasonable access to records regarding the past use of CDBG funds, consistent with applicable State and local laws regarding personal privacy and obligations of confidentiality.

§ 570.509 Grant closeout procedures.

- (a) Criteria for closeout. A grant will be closed out when HUD determines, in consultation with the recipient, that the following criteria have been met:
- (1) All costs to be paid with CDBG funds have been incurred, with the exception of closeout costs (e.g., audit costs) and costs resulting from contingent liabilities described in the closeout agreement pursuant to paragraph (c) of this section. Contingent liabilities include, but are not limited to, third-party claims against the recipient, as well as related administrative costs.
 - (2) With respect to activities (such as rehabilitation of privately owned properties) which are financed by means of escrow accounts, loan guarantees, or similar mechanisms, the work to be assisted with CDBG funds (but excluding program income) has actually been completed.
 - (3) Other responsibilities of the recipient under the grant agreement and applicable laws and regulations, appear to have been carried out satisfactorily or there is no further Federal interest in keeping the grant agreement open for the purpose of securing performance.
- (b) Closeout actions.
- (1) Within 90 days of the date it is determined that the criteria for closeout have been met, the recipient shall submit to HUD a copy of the final performance and evaluation report

described in § 570.507. If an acceptable report is not submitted, an audit of the recipient's grant activities may be conducted by HUD.

- (2) Based on the information provided in the performance report and other relevant information, HUD, in consultation with the recipient, will prepare a closeout agreement in accordance with paragraph (c) of this section.
 - (3) HUD will cancel any unused portion of the awarded grant, as shown in the signed grant closeout agreement. Any unused grant funds disbursed from the U.S. Treasury which are in the possession of the recipient shall be refunded to HUD.
 - (4) Any costs paid with CDBG funds which were not audited previously shall be subject to coverage in the recipient's next single audit performed in accordance with 24 CFR Part 44. The recipient may be required to repay HUD any disallowed costs based on the results of the audit, or additional HUD reviews provided for in the closeout agreement.
- (c) Closeout agreement. Any obligations remaining as of the date of the closeout shall be covered by the terms of a closeout agreement. The agreement shall be prepared by the HUD field office in consultation with the recipient. The agreement shall identify the grant being closed out, and include provisions with respect to the following:
- (1) Identification of any closeout costs or contingent liabilities subject to payment with CDBG funds after the closeout agreement is signed;
 - (2) Identification of any unused grant funds to be canceled by HUD;
 - (3) Identification of any program income on deposit in financial institutions at the time the closeout agreement is signed;
 - (4) Description of the recipient's responsibility after closeout for:
 - (i) Compliance with all program requirements, certifications and assurances in using program income on deposit at the time the closeout agreement is signed and in using any other remaining CDBG funds available for closeout costs and contingent liabilities;
 - (ii) Use of real property assisted with CDBG funds in accordance with the principles described in § 570.505;

- (iii) Compliance with requirements governing program income received subsequent to grant closeout, as described at § 570.504(b)(4) and (5); and
 - (iv) Ensuring that flood insurance coverage for affected property owners is maintained for the mandatory period.
- (5) Other provisions appropriate to any special circumstances of the grant closeout, in modification of or in addition to the obligations in paragraphs (c)(1) through (4) of this section. The agreement shall authorize monitoring by HUD, and shall provide that findings of noncompliance may be taken into account by HUD, as unsatisfactory performance of the recipient, in the consideration of any future grant award under this part.
- (d) Status of housing assistance plan after closeout. Unless otherwise provided in a closeout agreement, the housing assistance plan (HAP) will remain in effect after closeout until the expiration of the fiscal year covered by the last approved HAP. The HAP will be used for allocations of HUD-assisted housing and local review and comment under 24 CFR 791 for purposes of achieving the housing goals under the performance criteria of § 570.903.
- (e) Termination of grant for convenience. Grant assistance provided under this part may be terminated for convenience in whole or in part before the completion of the assisted activities, in accordance with the provisions of 24 CFR 85.44. The recipient shall not incur new obligations for the terminated portions after the effective date, and shall cancel as many outstanding obligations as possible. HUD shall allow full credit to the recipient for those portions of obligations which could not be canceled and which had been properly incurred by the recipient in carrying out the activities before the termination. The closeout policies contained in this section shall apply in such cases, except where the approved grant is terminated in its entirety. Responsibility for the environmental review to be performed under 24 CFR Part 50 or 24 CFR Part 58, as applicable, shall be determined as part of the closeout process.
- (f) Termination for cause. In cases in which the Secretary terminates the recipient's grant under the authority of Subpart O of this part, or under the terms of the grant agreement, the closeout policies contained in this section shall apply, except where the approved grant is canceled in its entirety. The provisions in 24 CFR 85.43(c) on the effects of termination shall also apply. HUD shall determine whether an environmental assessment or finding of inapplicability is required, and if such review is required, HUD shall perform it pursuant to the provisions of 24 CFR Part 50.

§ 570.510 Transferring projects from urban counties to metropolitan cities.

Section 106(c)(3) of the Act authorizes the Secretary to transfer unobligated grant funds from an urban county to a new metropolitan city, provided: the city was an included unit of general local government in the urban county immediately before its qualification as a metropolitan city; the funds to be transferred were received by the county before the qualification of the city as a metropolitan city; the funds to be transferred had been programmed by the urban county for use in the city before such qualification; and the city and county agree to transfer responsibility for the administration of the funds being transferred from the county's letter of credit to the city's letter of credit. The following rules apply to the transfer of responsibility for an activity from an urban county to the new metropolitan city.

- (a) The urban county and the metropolitan city must execute a legally binding agreement which shall specify:
 - (1) The amount of funds to be transferred from the urban county's letter of credit to the metropolitan city's letter of credit;
 - (2) The activities to be carried out by the city with the funds being transferred;
 - (3) The county's responsibility for all expenditures and unliquidated obligations associated with the activities before the time of transfer, including a statement that responsibility for all audit and monitoring findings associated with those expenditures and obligations shall remain with the county;
 - (4) The responsibility of the metropolitan city for all other audit and monitoring findings;
 - (5) How program income (if any) from the activities specified shall be divided between the metropolitan city and the urban county; and
 - (6) Such other provisions as may be required by HUD.
- (b) Upon receipt of a request for the transfer of funds from an urban county to a metropolitan city and a copy of the executed agreement, HUD, in consultation with the Department of the Treasury, shall establish a date upon which the funds shall be transferred from the letter of credit of the urban county to the letter of credit of the metropolitan city, and shall take all necessary actions to affect the requested transfer of funds.

- (c) HUD shall notify the metropolitan city and urban county of any special audit and monitoring rules which apply to the transferred funds when the date of the transfer is communicated to the city and the county.

§ § 570.511 and 570.512 (RESERVED)

§ 570.513 Lump sum drawdown for financing of property rehabilitation activities.

Subject to the conditions prescribed in this section, recipients may draw funds from the letter of credit in a lump sum to establish a rehabilitation fund in one or more private financial institutions for the purpose of financing the rehabilitation of privately owned properties. The fund may be used in conjunction with various rehabilitation financing techniques, including loans, interest subsidies, loan guarantees, loan reserves, or such other uses as may be approved by HUD consistent with the objectives of this section. The fund may also be used for making grants, but only for the purpose of leveraging non-CDBG funds for the rehabilitation of the same property.

(a) Limitation on drawdown of grant funds.

- (1) The funds that a recipient deposits to a rehabilitation fund shall not exceed the grant amount that the recipient reasonably expects will be required, together with anticipated program income from interest and loan repayments, for the rehabilitation activities during the period specified in the agreement to undertake activities, based on either:
 - (i) Prior level of rehabilitation activity; or
 - (ii) Rehabilitation staffing and management capacity during the period specified in the agreement to undertake activities.
- (2) No grant funds may be deposited under this section solely for the purpose of investment, notwithstanding that the interest or other income is to be used for the rehabilitation activities.
- (3) The recipient's rehabilitation program administrative costs and the administrative costs of the financial institution may not be funded through lump sum drawdown. Such costs must be paid from periodic letter of credit withdrawals in accordance with standard procedures or from program income other than program income generated by the lump sum distribution.

- (b) Standards to be met. The following standards shall apply to all lump sum drawdowns of CDBG funds for rehabilitation:
- (1) Eligible rehabilitation activities. The rehabilitation fund shall be used to finance the rehabilitation of privately owned properties eligible under the general policies in § 570.200 and the specific provisions of either § 570.202, including the acquisition of properties for rehabilitation, or § 570.203.
 - (2) Requirements for agreement. The recipient shall execute a written agreement with one or more private financial institutions for the operation of the rehabilitation fund. The agreement shall specify the obligations and responsibilities of the parties, the terms and conditions on which CDBG funds are to be deposited and used or returned, the anticipated level of rehabilitation activities by the financial institution, the rate of interest and other benefits to be provided by the financial institution in return for the lump sum deposit, and such other terms as are necessary for compliance with the provisions of this section. Upon execution of the agreement, a copy must be provided to the HUD field office for its record and use in monitoring. Any modifications made during the term of the agreement must also be provided to HUD.
 - (3) Period to undertake activities. The agreement must provide that the rehabilitation fund may only be used for authorized activities during a period of no more than two years. The lump sum deposit shall be made only after the agreement is fully executed.
 - (4) Time limit on use of deposited funds. Use of the deposited funds for rehabilitation financing assistance must start (e.g., first loan must be made, subsidized or guaranteed) within 45 days of the deposit. In addition, substantial disbursements from the fund must occur within 180 days of the receipt of the deposit. (Where CDBG funds are used as a guarantee, the funds that must be substantially disbursed are the guaranteed funds.) For a recipient with an agreement specifying two years to undertake activities, the disbursement of 25 percent of the fund (deposit plus any interest earned) within 180 days will be regarded as meeting this requirement. If a recipient with an agreement specifying two years to undertake activities determines that it has had substantial disbursement from the fund within the 180 days although it had not met this 25 percent threshold, the justification for the recipient's determination shall be included in the program file. Should use of deposited funds not start within 45 days, or substantial disbursement from such fund not occur within 180 days, the recipient may be

required by HUD to return all or part of the deposited funds to the recipient's letter of credit.

- (5) Program activity. Recipients shall review the level of program activity on a yearly basis. Where activity is substantially below that anticipated, program funds shall be returned to the recipient's letter of credit.
- (6) Termination of agreement. In the case of substantial failure by a private financial institution to comply with the terms of a lump sum drawdown agreement, the recipient shall terminate its agreement, provide written justification for the action, withdraw all unobligated deposited funds from the private financial institution, and return the funds to the recipient's letter of credit.
- (7) Return of unused deposits. At the end of the period specified in the agreement for undertaking activities, all unobligated deposited funds shall be returned to the recipient's letter of credit unless the recipient enters into a new agreement conforming to the requirements of this section. In addition, the recipient shall reserve the right to withdraw any unobligated deposited funds required by HUD in the exercise of corrective or remedial actions authorized under §§ 570.910(b), 570.911, 570.912 or 570.913.
- (8) Rehabilitation loans made with non-CDBG funds. If the deposited funds or program income derived from deposited funds are used to subsidize or guarantee repayment of rehabilitation loans made with non-CDBG funds, or to provide a supplemental loan or grant to the borrower of the non-CDBG funds, the rehabilitation activities are considered to be CDBG-assisted activities subject to the requirements applicable to such activities, except that repayment of non-CDBG funds shall not be treated as program income.
- (9) Provision of consideration. In consideration for the lump sum deposit by the recipient in a private financial institution, the deposit must result in appropriate benefits in support of the recipient's local rehabilitation program. Minimum requirements for such benefits are:
 - (i) Grantees shall require the financial institution to pay interest on the lump sum deposit:
 - (A) The interest rate paid by the financial institution shall be no more than three points below the rate on one year Treasury obligations at constant maturity.

- (B) When an agreement sets a fixed interest rate for the entire term of the agreement, the rate should be based on the rate at the time the agreement is executed.
 - (C) The agreement may provide for an interest rate that would fluctuate periodically during the term of the agreement, but at no time shall the rate be established at more than three points below the rate on one year Treasury obligations at constant maturity.
- (ii) In addition to the payment of interest, at least one of the following benefits must be provided by the financial institution:
- (A) Leverage of the deposited funds so that the financial institution commits private funds for loans in the rehabilitation program in an amount substantially in excess of the amount of the lump sum deposit;
 - (B) Commitment of private funds by the financial institution for rehabilitation loans at below market interest rates, at higher than normal risk, or with longer than normal repayment periods; or
 - (C) Provision of administrative services in support of the rehabilitation program by the participating financial institution at no cost or at lower than actual cost.
- (c) Program income. Interest earned on lump sum deposits and payments on loans made from such deposits are program income and, during the period of the agreement, shall be used for rehabilitation activities under the provisions of this section.
- (d) Outstanding findings. Notwithstanding any other provision of this section, no recipient shall enter into a new agreement during any period of time in which an audit or monitoring finding on a previous lump sum drawdown agreement remains unresolved.
- (e) Prior notification. The recipient shall provide the HUD field office with written notification of the amount of funds to be distributed to a private financial institution before distribution under the provisions of this section.
- (f) Recordkeeping requirements. The recipient shall maintain in its files a copy of the written agreement and related documents establishing conformance with this section and concerning performance by a financial institution in accordance with the agreement.

Subpart K -- Other Program Requirements.

Sec.

- 570.600 General.
- 570.601 Public Law 88-352 and Public Law 90-284; affirmatively furthering fair housing; and Executive Order 11063.
- 570.602 Section 109 of the Act.
- 570.603 Labor standards.
- 570.604 Environmental standards.
- 570.605 National Flood Insurance Program.
- 570.606 Relocation, displacement and acquisition.
- 570.607 Employment and contracting opportunities.
- 570.608 Lead-based paint.
- 570.609 Use of debarred, suspended, or ineligible contractors or subrecipients.
- 570.610 Uniform administrative requirements and cost principles.
- 570.611 Conflict of interest.
- 570.612 Executive Order 12372.

Subpart K -- Other Program Requirements.

§ 570.600 General.

- (a) Section 104(b) of the Act provides that any grant under section 106 of the Act shall be made only if the grantee certifies to the satisfaction of the Secretary, among other things, that the grant "will be conducted and administered in conformity with Public Law 88-352 and Public Law 90-284," and, further, that the grantee "will comply with the other provisions of this title and with other applicable laws." Section 104(e)(1) of the Act requires that the Secretary determine with respect to grants made pursuant to section 106(b) (Entitlement Grants) and 106(d)(2)(B) (HUD-administered Small Cities Grants), at least on an annual basis, among other things, "whether the grantee has carried out [its] certifications in compliance with the requirements and the primary objectives of this title and with other applicable laws...." Certain other statutes are expressly made applicable to activities assisted under the Act by the Act itself, while other laws not referred to in the Act may be applicable to such activities by their own terms. Certain statutes or Executive Orders which may be applicable to activities assisted under the Act by their own terms are administered or enforced by governmental departments or agencies other than the Secretary or the Department. This Subpart K enumerates laws which the Secretary will treat as applicable to grants made under section 106 of the Act, other than grants to States made pursuant to section 106(d) of the Act, for purposes of

the determinations described above to be made by the Secretary under section 104(e)(1) of the Act, including statutes expressly made applicable by the Act and certain other statutes and Executive Orders for which the Secretary has enforcement responsibility. The absence of mention herein of any other statute for which the Secretary does not have direct enforcement responsibility is not intended to be taken as an indication that, in the Secretary's opinion, such statute or Executive Order is not applicable to activities assisted under the Act. For laws which the Secretary will treat as applicable to grants made to States under section 106(d) of the Act for purposes of the determination required to be made by the Secretary pursuant to section 104(e)(2) of the Act, see § 570.496.

- (b) This subpart also sets forth certain additional program requirements which the Secretary has determined to be applicable to grants provided under the Act as a matter of administrative discretion.
- (c) In addition to grants made pursuant to section 106(b) and 106(d)(2)(B) of the Act (Subparts D and F, respectively), the requirements of this Subpart K are applicable to grants made pursuant to sections 107 and 119 of the Act (Subparts E and G, respectively), and to loans guaranteed pursuant to Subpart M.

§ 570.601 Public Law 88-352 and Public Law 90-284; affirmatively furthering fair housing; Executive Order 11063.

Section 104(b) of the Act provides that any grant under section 106 of the Act shall be made only if the grantee certifies to the satisfaction of the Secretary that the grant "will be conducted and administered in conformity with Public Law 88-352 and Public Law 90-284 and the grantee will affirmatively further fair housing." Similarly, section 107 provides that no grant may be made under that section (Secretary's Discretionary Fund) or section 119 (UDAG) without satisfactory assurances that the grantee's program will be conducted and administered in conformity with Public Law 88-352 and Public Law 90-284.

- (a) "Public Law 88-352" refers to Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), which provides that no person in the United States shall on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance. Section 602 of the Civil Rights Act of 1964 directs each Federal department and agency empowered to extend Federal financial assistance to any program or activity by way of grant to effectuate the foregoing prohibition by issuing rules, regulations, or orders of general

applicability which shall be consistent with achievement of the statute authorizing the financial assistance. HUD regulations implementing the requirements of Title VI with respect to HUD programs are contained in 24 CFR Part 1.

- (b) "Public Law 90-284" refers to Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601 *et seq.*), popularly known as the Fair Housing Act, which provides that it is the policy of the United States to provide, within constitutional limitations, for fair housing throughout the United States and prohibits any person from discriminating in the sale or rental of housing, the financing of housing, or the provision of brokerage services, including otherwise making unavailable or denying a dwelling to any person, because of race, color, religion, sex, or national origin. Title VIII further requires the Secretary to administer the programs and activities relating to housing and urban development in a manner affirmatively to further the policies of Title VIII. Pursuant to this statutory direction, the Secretary requires that grantees administer all programs and activities related to housing and community development in a manner to affirmatively further the policies of Title VIII; furthermore, section 104(b)(2) of the Act requires that each grantee receiving funds under section 106 of the Act (entitlement or small cities grantees) certify to the satisfaction of the Secretary that it will affirmatively further fair housing.
- (c) Executive Order 11063, as amended by Executive Order 12259, directs the Department to take all action necessary and appropriate to prevent discrimination because of race, color, religion (creed), sex, or national origin, in the sale, leasing, rental, or other disposition of residential property and related facilities (including land to be developed for residential use), or in the use or occupancy thereof, if such property and related facilities are, among other things, provided in whole or in part with the aid of loans, advances, grants, or contributions agreed to be made by the Federal Government. HUD regulations implementing Executive Order 11063 are contained in 24 CFR Part 107.

§ 570.602 Section 109 of the Act.

- (a) Section 109 of the Act requires that no person in the United States shall on the ground of race, color, national origin or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with community development funds made available pursuant to the Act. For purposes of this section "program or activity" is defined as any function conducted by an identifiable administrative unit of the recipient, or by any unit of government, subrecipient, or private contractor receiving

community development funds or loans from the recipient. "Funded in whole or in part with community development funds" means that community development funds in any amount in the form of grants or proceeds from HUD guaranteed loans have been transferred by the recipient or a subrecipient to an identifiable administrative unit and disbursed in a program or activity. In subsection (b) of this section, "recipient" means recipient as defined in 24 CFR 1.2(f).

(b) Specific discriminatory actions prohibited and corrective actions.

- (1) A recipient may not, under any program or activity to which the regulations of this part may apply, directly or through contractual or other arrangements, on the ground of race, color, national origin, or sex:
 - (i) Deny any individual any facilities, services, financial aid or other benefits provided under the program or activity.
 - (ii) Provide any facilities, services, financial aid or other benefits which are different, or are provided in a different form, from that provided to others under the program or activity.
 - (iii) Subject an individual to segregated or separate treatment in any facility in, or in any matter of process related to receipt of any service or benefit under the program or activity.
 - (iv) Restrict an individual in any way in access to, or in the enjoyment of, any advantage or privilege enjoyed by others in connection with facilities, services, financial aid or other benefits under the program or activity.
 - (v) Treat an individual differently from others in determining whether the individual satisfies any admission, enrollment, eligibility, membership, or other requirement or condition which the individual must meet in order to be provided any facilities, services or other benefit provided under the program or activity.
 - (vi) Deny an individual an opportunity to participate in a program or activity as an employee.
- (2) A recipient may not use criteria or methods of administration which have the effect of subjecting persons to discrimination on the basis of race, color, national origin, or sex, or have

the effect of defeating or substantially impairing accomplishment of the objectives of the program or activity with respect to persons of a particular race, color, national origin, or sex.

- (3) A recipient, in determining the site or location of housing or facilities provided in whole or in part with funds under this part, may not make selections of such site or location which have the effect of excluding persons from, denying them the benefits of, or subjecting them to discrimination on the ground of race, color, national origin, or sex; or which have the purpose or effect of defeating or substantially impairing the accomplishment of the objectives of the Act and of this section.
- (4)
 - (i) In administering a program or activity funded in whole or in part with CDBG funds regarding which the recipient has previously discriminated against persons on the ground of race, color, national origin or sex, or if there is sufficient evidence to conclude that such discrimination existed, the recipient must take remedial affirmative action to overcome the effects of prior discrimination. The word "previously" does not exclude current discriminatory practices.
 - (ii) In the absence of discrimination, a recipient, in administering a program or activity funded in whole or in part with funds made available under this part, may take any nondiscriminatory affirmative action necessary to ensure that the program or activity is open to all without regard to race, color, national origin or sex.
 - (iii) After a finding of noncompliance or after a recipient has a firm basis to conclude that discrimination has occurred, a recipient shall not be prohibited by this section from taking any action eligible under Subpart C to ameliorate an imbalance in services or facilities provided to any geographic area or specific group of persons within its jurisdiction, where the purpose of such action is to remedy prior discriminatory practice or usage.
- (5) Notwithstanding anything to the contrary in this section, nothing contained herein shall be construed to prohibit any recipient from maintaining or constructing separate living facilities or rest room facilities for the different sexes. Furthermore, selectivity on the basis of sex is not prohibited when institutional or custodial services can

properly be performed only by a member of the same sex as the recipients of the services.

- (c) Section 109 of the Act further provides that any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) or with respect to an otherwise qualified handicapped person as provided in section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) shall also apply to any program or activity funded in whole or in part with funds made available pursuant to the Act. HUD regulations implementing the Age Discrimination Act are contained in 24 CFR Part 146 and the regulations implementing section 504 are contained in 24 CFR Part 8.

§ 570.603 Labor standards.

Section 110 of the Act requires that all laborers and mechanics employed by contractors or subcontractors on construction work financed in whole or in part with assistance received under the Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a - 276a-5). By reason of the foregoing requirement, the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.) also applies. However, these requirements apply to the rehabilitation of residential property only if such property contains not less than 8 units. With respect to the labor standards specified in this section, the Secretary of Labor has the authority and functions set forth in Reorganization Plan Number 14 of 1950 (5 U.S.C. 1332-15) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

§ 570.604 Environmental standards.

Section 104(g) expresses the intent that "the policies of the National Environmental Policy Act of 1969 and other provisions of law which further the purposes of such Act (as specified in regulations issued by the Secretary)...[be] most effectively implemented in connection with the expenditure of funds under" the Act. Such other provisions of law which further the purposes of the National Environmental Policy Act of 1969 are specified in regulations issued pursuant to section 104(g) of the Act and contained in 24 CFR Part 58. Section 104(g) also provides that, in lieu of the environmental protection procedures otherwise applicable, the Secretary may under regulations provide for the release of funds for particular projects to grantees who assume all of the responsibilities for environmental review, decisionmaking, and action pursuant to the National Environmental Policy Act of 1969, and the other provisions of law specified by the Secretary as described above, that would apply to the Secretary were he/she to undertake such projects as Federal projects.

Grantees assume such environmental review, decisionmaking, and action responsibilities by execution of grant agreements with the Secretary. The procedures for carrying out such environmental responsibilities are contained in 24 CFR Part 58.

§ 570.605 National Flood Insurance Program.

Section 202(a) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106) provides that no Federal officer or agency shall approve any financial assistance for acquisition or construction purposes (as defined under section 3(a) of said Act (42 U.S.C. 400(a)), one year after a community has been formally notified of its identification as a community containing an area of special flood hazard, for use in any area that has been identified by the Director of the Federal Emergency Management Agency as an area having special flood hazards unless the community in which such area is situated is then participating in the National Flood Insurance Program. Notwithstanding the date of HUD approval of the recipient's application (or, in the case of grants made under Subpart D, the date of submission of the grantee's final statement pursuant to § 570.302), funds provided under this part shall not be expended for acquisition or construction purposes in an area that has been identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards unless the community in which the area is situated is participating in the National Flood Insurance Program in accordance with 44 CFR Parts 59-79, or less than a year has passed since FEMA notification to the community regarding such hazards; and flood insurance is obtained in accordance with section 102(a) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001).

§ 570.606 Relocation, displacement and acquisition.

(a) Uniform Relocation Act.

- (1) The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4601) and HUD implementing regulations at 24 CFR Part 42 apply to the acquisition of real property by a State agency for an activity assisted under this part and to the displacement of any family, individual, business, nonprofit organization or farm that results from such acquisition. The grantee's certification of compliance with the URA is required in the grant agreement.
- (2) An acquisition and resulting displacement by a State agency is "for an assisted activity" if it occurs on or after the date of the initial submission of a final statement under 24 CFR 570.302(a)(2) (Entitlement Grants); the initial

submission of an application to HUD by a unit of general local government under §§ 570.426, 570.430, or 570.435(d) that is granted for the requested activity (HUD administered Small Cities Program); or the submission of an application to HUD by a city or urban county under § 570.458 that is granted for the requested activity (UDAG). However, an acquisition or displacement that occurs on or after the described date is not subject to the URA if the grantee determines that the acquisition or displacement was not carried out for an assisted activity, and the HUD Field Office concurs in that determination. An acquisition or displacement that occurs before the described date is subject to the URA, if the grantee or the HUD Field Office determines that the acquisition or displacement was carried out for the assisted activity. The grantee may, at any time, request a HUD determination whether an acquisition or displacement will be considered to be for an assisted activity and thus subject to these regulations. To be eligible for relocation assistance, however, a person must also meet the eligibility criteria in 24 CFR Part 42.

- (b) Residential antidisplacement and relocation assistance plan. Under section 104(d) of the Act, each grantee must adopt, make public and certify that it is following a residential antidisplacement and relocation assistance plan providing one-for-one replacement units (paragraph (b)(1) of this section), and relocation assistance (paragraph (b)(2) of this section). The plan must also indicate the steps that will be taken consistent with other goals and objectives of this part to minimize the displacement of persons from their homes as a result of any activities assisted under this part.
- (1) One-for-one replacement units.
- (i) All occupied and vacant occupiable low/moderate income dwelling units that are demolished or converted to a use other than as low/moderate income dwelling units as a direct result of an activity assisted under this part must be replaced by governmental agencies or private developers with low/moderate income dwelling units. Replacement low/moderate income dwelling units may include public housing, or existing housing receiving Section 8 project-based assistance under the United States Housing Act of 1937. The replacement low/moderate income dwelling units must be provided within three years of the commencement of the demolition or rehabilitation related to the conversion, and must meet the following requirements:
- (A) The units must be located within the grantee's jurisdiction.

- (B) The units must be sufficient in number and size to house at least the number of occupants that could have been housed in the units that are demolished or converted. The number of occupants that may be housed in units shall be determined in accordance with local housing occupancy codes.
 - (C) The units must be provided in standard condition. Replacement low/moderate income dwelling units may include units that have been raised to standard from substandard condition.
 - (D) The units must be designed to remain low/moderate income dwelling units for at least 10 years from the date of initial occupancy.
- (ii) Before obligating or expending funds provided under this part for any activity that will directly result in the demolition of low/moderate income dwelling units or the conversion of low/moderate income dwelling units to another use, the grantee must make public, and submit the following information in writing to HUD:
- (A) A description of the proposed assisted activity;
 - (B) The general location on a map and approximate number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than for low/moderate income dwelling units as a direct result of the assisted activity;
 - (C) A time schedule for the commencement and completion of the demolition or conversion;
 - (D) The general location on a map and approximate number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units;
 - (E) The source of funding and a time schedule for the provision of replacement dwelling units;
 - (F) The basis for concluding that each replacement dwelling unit will remain a low/moderate income dwelling unit for at least 10 years from the date of initial occupancy.
- (iii)
- (A) The requirements of paragraph (b)(1) of this section do not apply if the HUD Field Office determines, based upon objective data, that there is an adequate supply of vacant low/moderate income

dwelling units in standard condition available on a nondiscriminatory basis within the grantee's jurisdiction. In making this determination, the HUD Field Office will consider the housing vacancy rate for the jurisdiction, the number of vacant low/moderate income dwelling units in the jurisdiction (excluding units that will be demolished or converted) and the number of eligible families on waiting lists for housing assisted under the United States Housing Act of 1937 in the jurisdiction.

- (B) The HUD Field Office may consider the supply of vacant low/moderate income dwelling units in standard condition available on a nondiscriminatory basis in an area that is larger than the grantee's jurisdiction. Such additional dwelling units shall be considered if the HUD Field Office determines that the units would be suitable to serve the needs of the low and moderate income households that could be served by the low/moderate income dwelling units that are to be demolished or converted to another use. The HUD Field Office must base this determination on geographic and demographic factors, such as location and access to places of employment and to other facilities.
- (C) The grantee must submit a request for a determination under paragraph (b)(1)(iii) of this section directly to the HUD Field Office.

(2) Relocation assistance.

- (i) Each low or moderate income household that is displaced by demolition or by the conversion of a low/moderate income dwelling unit to another use as a direct result of an activity assisted under this part shall be provided with relocation assistance. The low or moderate income household may elect to receive relocation assistance described at 24 CFR Part 42 (HUD's regulations implementing the URA), or may elect to receive the following relocation assistance:
 - (A) The relocation assistance described at 24 CFR Part 42, Subpart C (General Relocation Requirements) and Subpart D (Payment for Moving and Related Expenses). Relocation notices must be issued consistent with, and in the manner prescribed under, 24 CFR 42.203. The definition of "comparable replacement dwelling" used in 24 CFR Part 42 is modified as described in paragraph (b)(3)(i) of this section. Displaced households provided with replacement housing assistance under

paragraph (b)(2)(i)(C) of this section in the form of a certificate or housing voucher under Section 8 of the United States Housing Act of 1937, must be provided referrals to comparable replacement dwelling units whose owners are willing to participate in the housing voucher or certificate program. The grantee shall advise tenants of their rights under the Federal Fair Housing Law (Title VIII) and of replacement housing opportunities in such a manner that, whenever feasible, they will have a choice between relocating within their neighborhoods and other neighborhoods consistent with the grantee's responsibility to affirmatively further fair housing;

- (B) The reasonable and necessary cost of any security deposit required to rent the replacement dwelling unit, and credit checks required to rent or purchase the replacement dwelling unit; and
- (C) Replacement housing assistance. Households are eligible to receive one of the following forms of replacement housing assistance:
 - (1) Each household must be offered compensation designed to ensure that, for a five-year period, the displaced household will not bear, after relocation, a ratio of shelter costs to income that exceeds 30 percent. Such compensation shall be either:
 - (i) A certificate or housing voucher for rental assistance provided through the local Public Housing Agency under Section 8 of the United State Housing Act of 1937; or
 - (ii) Cash rental assistance equal to 60 times the amount that is obtained by subtracting 30 percent of the displaced household's monthly gross income (with such adjustments as the grantee may deem appropriate) from the lesser of: the monthly cost of rent and utilities at a comparable replacement dwelling unit or the monthly cost of rent and utilities at the decent, safe and sanitary replacement dwelling to which the household relocates. The grantee may provide the cash payment in either a lump sum or in installments. The grantee may at its discretion offer the household a choice between the certificate/housing voucher or cash rental assistance.

(2) If the household purchases an interest in a housing cooperative or mutual housing association and occupies a decent, safe and sanitary unit in the cooperative or association, the household may elect to receive a lump sum payment. This lump sum payment shall be equal to the capitalized value of 60 monthly installments of the amount that is obtained by subtracting 30 percent of the displaced household's monthly gross income (with such adjustments as the grantee may deem appropriate) from the monthly cost of rent and utilities at a comparable replacement dwelling unit. To compute the capitalized value, the installments shall be discounted at the rate of interest paid on passbook savings deposits by a federally-insured bank or savings and loan institution conducting business within the grantee's jurisdiction. To the extent necessary to minimize hardship to the household, the grantee shall, subject to appropriate safeguards, issue a payment in advance of the purchase of the interest in the housing cooperative or mutual housing association.

(ii) Eligibility for relocation assistance.

(A) A low or moderate income household that is required to move as a direct result of demolition or conversion of a low/moderate income dwelling unit to another use, is eligible for relocation assistance under paragraph (b)(2) of this section if:

- (1) The household is required to move from the dwelling unit on or after the date that the owner submits a request to the grantee for financial assistance that is later approved for the requested activity. (This applies to dwelling units owned by a person other than a Federal or State agency, as defined under the URA).
- (2) The household is required to move from the dwelling unit on or after the date of the initial submission of a final statement under 24 CFR 570.302(a)(2) (Entitlement Grants); the initial

submission of an application to HUD by a unit of general local government under § 570.426, 570.430, or 570.435(d) that is granted for the requested activity (HUD administered Small Cities Program); or the submission of an application to HUD by a city or urban county under § 570.458 that is granted for the requested activity (UDAG). (This applies to dwelling units owned by a Federal or State agency as defined under the URA.)

- (B) If the displacement occurs on or after the appropriate date described in paragraph (b)(2)(ii)(A) of this section, the low or moderate income household is not eligible for relocation assistance if:
 - (1) The household is evicted for cause;
 - (2) The household moved into the property on or after the date described in paragraph (b)(2)(ii)(A) of this section, after receiving written notice of the expected displacement; or
 - (3) The grantee determines that the displacement was not a direct result of the assisted activity, and the HUD office concurs in that determination.
 - (C) If the displacement occurs before the appropriate date described in paragraph (b)(2)(ii)(A) of this section, the low or moderate income household is eligible for relocation assistance if the grantee or HUD determines that the displacement was a direct result of an activity assisted under this part.
- (3) Definitions. For the purposes of paragraph (b) of this section:
- (i) "Comparable replacement dwelling unit" means a dwelling unit that:
 - (A) Meets the criteria of 24 CFR 42.2(c)(1) through (4); and
 - (B) Is available at a monthly cost for rent plus estimated average monthly utility costs that does not exceed 30 percent of the household's average gross monthly income (with such adjustments to income as the grantee may deem appropriate) after taking into account any rental assistance the

household would receive. Where a certificate or housing voucher is provided to a household under paragraph (b)(2)(i)(C) (1)(i) of this section, the dwelling unit must be available to the household at a monthly cost for rent and estimated average monthly utility cost that does not exceed the Fair Market Rent or the payment standard, respectively.

- (ii) "Decent, safe and sanitary dwelling" means a decent, safe and sanitary dwelling as defined in 24 CFR 42.2(e).
 - (iii) "Low/moderate income dwelling unit" means a dwelling unit with a market rental (including utility costs) that does not exceed the applicable Fair Market Rent (FMR) for existing housing and moderate rehabilitation established under 24 CFR Part 888.
 - (iv) "Occupiable dwelling unit" means a dwelling unit that is in a standard condition, or is in a substandard condition, but is suitable for rehabilitation.
 - (v) "Standard condition" and "substandard condition suitable for rehabilitation." If the grantee has a HUD-approved Housing Assistance Plan, the definitions of "standard condition" and "substandard condition suitable for rehabilitation" established in the plan will apply. If the grantee does not have a HUD-approved Housing Assistance Plan, the grantee must establish and make public its definition of these terms consistent with the requirements of § 570.306(e)(1).
- (4) Effective date. For all grants except those made under Subpart D of this part (Entitlement Grants), the provisions of this paragraph (b) are applicable to grants made on or after October 1, 1988. For grants made under Subpart D, these provisions will govern all activities for which funds are first obligated by the grantee on or after the date the first grant is made after September 30, 1988, without regard to the source year of the funds used for the activity.
- (c) Section 104(k) relocation requirements. Section 104(k) of the Act requires that reasonable relocation assistance be provided to persons (families, individuals, businesses, nonprofit organizations, or farms) displaced (i.e., moved permanently and involuntarily) as a result of the use of assistance received under this part to acquire or substantially rehabilitate property. If such displacement is subject to paragraph (a) or (b) of this section, above, this paragraph does not apply. The grantee must develop, adopt and provide to persons to be displaced a written notice of the relocation assistance for which they are eligible. The minimum requirements for such assistance under the UDAG Program are described at § 570.457(b) . Under CDBG programs, persons entitled to assistance under this paragraph must be provided relocation assistance, including at a minimum:

- (1) Reasonable moving expenses;
 - (2) Advisory services needed to help in relocating. The grantee shall advise tenants of their rights under the Federal Fair Housing Law (Title VIII) and of replacement housing opportunities in such a manner that, whenever feasible, they will have a choice between relocating within their neighborhoods and other neighborhoods consistent with the grantee's responsibility to affirmatively further fair housing; and
 - (3) Financial assistance sufficient to enable any person displaced from his or her dwelling to lease and occupy a suitable, decent, safe and sanitary replacement dwelling where the cost of rent and utilities does not exceed 30 percent of the household's gross income.
- (d) Optional relocation assistance. Under section 105(a)(11) of the Act, the grantee may provide relocation payments and other relocation assistance for individuals, families, businesses, nonprofit organizations and farms displaced by an activity not subject to paragraphs (a), (b) or (c) of this section. The grantee may also provide relocation assistance to persons covered under paragraphs (a), (b) or (c) of this section beyond that required. Unless such assistance is provided pursuant to State or local law, the grantee must provide the assistance only upon the basis of a written determination that the assistance is appropriate and must adopt a written policy available to the public that describes the relocation assistance that the grantee has elected to provide and that provides for equal relocation assistance within each class of displacees.
- (e) Appeals. If a person disagrees with the grantee's determination concerning the person's eligibility for, or the amount of a relocation payment under this section, the person may file a written appeal of that determination with the grantee. The appeal procedures to be followed are described in 24 CFR 42.10. A low or moderate income household that has been displaced from a dwelling may file a written request for review of the grantee decision, to the HUD Field Office.
- (f) Responsibility of grantee.
- (1) The grantee is responsible for ensuring compliance with the requirements of this section, notwithstanding any third party's contractual obligation to the grantee to comply with the provisions of this part.
 - (2) The cost of assistance required under this section may be paid from local public funds, funds provided under this part, or funds available from other sources.

- (3) The grantee must maintain records in sufficient detail to demonstrate compliance with the provisions of this section.
- (g) Displacement. For the purposes of this section, a "displaced person" is a person that is required to move permanently and involuntarily and includes a residential tenant who moves from the real property if:
- (1) The tenant has not been provided with a reasonable opportunity to lease and occupy a suitable, decent, safe and sanitary dwelling in the same building or in a nearby building on the real property following the completion of the assisted activity at a monthly rent and estimated average cost for utilities that does not exceed the greater of
 - (i) 30 percent of the tenant household's average monthly gross income; or
 - (ii) The tenant's monthly rent and average cost for utilities before
 - (A) The date that the owner submits a request to the grantee for financial assistance that is later approved for the requested activity. (This applies to dwelling units owned by a person other than a Federal or State agency, as defined under the URA); or
 - (B) The date of the initial submission of a final statement under § 570.302(a)(2)(Entitlement Grants); the initial submission of an application to HUD by a unit of general local government under § 570.426, 570.430, or 570.435(d) that is granted for the requested activity (HUD administered Small Cities Program); or the submission of an application to HUD by a city or urban county under § 570.458 that is granted for the requested activity (UDAG). (This applies to dwelling units owned by a Federal or State agency as defined under the URA); or
 - (2) The tenant is required to move to another dwelling in the real property but is not reimbursed for all actual reasonable out-of-pocket costs incurred in connection with the move; or
 - (3) The tenant is required to relocate temporarily and:
 - (i) Is not reimbursed for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation, including moving costs and any increased rent and utility costs; or

- (ii) Other conditions of the temporary relocation are not reasonable.

§ 570.607 Employment and contracting opportunities.

- (a) Grantees shall comply with Executive Order 11246, as amended by Executive Order 12086, and the regulations issued pursuant thereto (41 CFR Chapter 60) which provide that no person shall be discriminated against on the basis of race, color, religion, sex, or national origin in all phases of employment during the performance of Federal or federally assisted construction contracts. As specified in Executive Order 11246 and the implementing regulations, contractors and subcontractors on Federal or federally assisted construction contracts shall take affirmative action to ensure fair treatment in employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay, or other forms of compensation and selection for training and apprenticeship.
- (b) Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) requires, in connection with the planning and carrying out of any project assisted under the Act, that to the greatest extent feasible opportunities for training and employment be given to low and moderate income persons residing within the unit of local government or the metropolitan area (or nonmetropolitan county) as determined by the Secretary, in which the project is located, and that contracts for work in connection with the project be awarded to eligible business concerns which are located in, or owned in substantial part by persons residing in the same metropolitan area (or nonmetropolitan county) as the project. Grantees shall adopt appropriate procedures and requirements to assure good faith efforts toward compliance with the statutory directive. HUD regulations at 24 CFR Part 135 are not applicable to activities assisted under this part but may be referred to as guidance indicative of the Secretary's view of the statutory objectives in other contexts.

§ 570.608 Lead-based paint.

- (a) Prohibition against the use of lead-based paint. Section 401(b) of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4831(b)) directs the Secretary to prohibit the use of lead-based paint in residential structures constructed or rehabilitated with Federal assistance. Such prohibitions are contained in 24 CFR Part 35, Subpart B, and are applicable to residential structures constructed or rehabilitated with assistance provided under this part.

- (b) Notification of hazards of lead-based paint poisoning.
- (1) The Secretary has promulgated requirements regarding notification to purchasers and tenants of HUD-associated housing constructed prior to 1978 of the hazards of lead-based paint poisoning at 24 CFR Part 35, Subpart A. This paragraph is promulgated pursuant to the authorization granted in 24 CFR 35.5(c) and supersedes, with respect to all housing to which it applies, the notification requirements prescribed by Subpart A of 24 CFR Part 35.
 - (2) For properties constructed prior to 1978, applicants for rehabilitation assistance provided under this part and tenants or purchasers of properties owned by the grantee or its subrecipient and acquired or rehabilitated with assistance provided under this part shall be notified:
 - (i) That the property may contain lead-based paint;
 - (ii) of the hazards of lead-based paint;
 - (iii) of the symptoms and treatment of lead-based poisoning;
 - (iv) of the precautions to be taken to avoid lead-based paint poisoning (including maintenance and removal techniques for eliminating such hazards);
 - (v) of the advisability and availability of blood lead level screening for children under seven years of age; and
 - (vi) that in the event lead-based paint is found on the property, appropriate abatement procedures may be undertaken.
- (c) Elimination of lead-based paint hazards. The purpose of this paragraph is to implement the provisions of section 302 of the Lead-Based Paint Poisoning Prevention Act, 42 U.S.C. 4822, by establishing procedures to eliminate as far as practicable the hazards due to the presence of paint which may contain lead and to which children under seven years of age may be exposed in existing housing which is rehabilitated with assistance provided under this part. The Secretary has promulgated requirements regarding the elimination of lead-based paint hazards in HUD-associated housing at 24 CFR Part 35, Subpart C. This paragraph is promulgated pursuant to the authorization granted in 24 CFR 35.24(b)(4) and supersedes, with respect to all housing to which it applies, the requirements prescribed by Subpart C of 24 CFR Part 35.

(1) Applicability. This paragraph applies to the rehabilitation of applicable surfaces in existing housing which is assisted under this part. The following activities assisted under the Community Development Block Grant program are not covered by this paragraph:

- (i) Emergency repairs (not including lead-based paint-related emergency repairs);
- (ii) weatherization;
- (iii) water or sewer hook-ups;
- (iv) installation of security devices;
- (v) facilitation of tax exempt bond issuances which provide funds for rehabilitation;
- (vi) other similar types of single-purpose programs that do not include physical repairs or remodeling of applicable surfaces (as defined in 24 CFR 35.22) of residential structures; and
- (vii) any non-single purpose rehabilitation that does not involve applicable surfaces (as defined in 24 CFR 35.22) that does not exceed \$3,000 per unit.

(2) Definitions.

Applicable surface. All intact and nonintact interior and exterior painted surfaces of a residential structure.

Chewable surface. All chewable protruding painted surfaces up to five feet from the floor or ground, which are readily accessible to children under seven years of age, e.g., protruding corners, windowsills and frames, doors and frames, and other protruding woodwork.

Defective paint surface. Paint on applicable surfaces that is cracking, scaling, chipping, peeling or loose.

Elevated blood lead level or EBL. Excessive absorption of lead, that is, a confirmed concentration of lead in whole blood of 25 ug/dl (micrograms of lead per deciliter of whole blood) or greater.

Lead-based paint surface. A paint surface, whether or not defective, identified as having a lead content greater than or equal to 1 mg/cm².

(3) Inspection and Testing

- (i) Defective paint surfaces. The grantee shall inspect for defective paint surfaces in all units constructed prior to 1978 which are occupied by families with children under seven years of age and which are proposed for rehabilitation assistance. The inspection shall occur at the same time the property is being inspected for rehabilitation. Defective paint conditions will be included in the work write-up for the remainder of the rehabilitation work.
- (ii) Chewable surfaces. The grantee shall be required to test the lead content of chewable surfaces if the family residing in a unit, constructed prior to 1978 and receiving rehabilitation assistance, includes a child under seven years of age with an identified EBL condition. Lead content shall be tested by using an X-ray fluorescence analyzer (XRF) or other method approved by HUD. Test readings of 1 mg/cm² or higher using an XRF shall be considered positive for presence of lead-based paint.
- (iii) Abatement without testing. In lieu of the procedures set forth in paragraph (c)(3)(ii) of this section, in the case of a residential structure constructed prior to 1978, the grantee may forgo testing and abate all applicable surfaces in accordance with the methods set out in 24 CFR 35.24(b)(2)(ii).

(4) Abatement Actions.

- (i) For inspections performed under § 570.608(c)(3)(i) and where defective paint surfaces are found, treatment shall be provided to defective areas. Treatment shall be performed before final inspection and approval of the work.
- (ii) For testing performed under § 570.608(c)(3)(ii) and where interior chewable surfaces are found to contain lead-based paint, all interior chewable surfaces in any affected room shall be treated. Where exterior chewable surfaces are found to contain lead-based paint, the entire exterior chewable surface shall be treated. Treatment shall be performed before final inspection and approval of the work.
- (iii) When weather prohibits repainting exterior surfaces before final inspection, the grantee may permit the owner to abate the defective paint or chewable lead-based paint as required by this section and agree to repaint by a specified date. A separate inspection is required.

- (5) Abatement methods. At a minimum, treatment of the defective areas and chewable lead-based paint surfaces shall consist of covering or removal of the painted surface as described in 24 CFR 35.24(b)(2)(ii).
- (6) Funding for inspection, testing and abatement. Program requirements and local program design will determine whether the cost of inspection, testing or abatement is to be borne by the owner/developer, the grantee or a combination of the owner/developer and the grantee.
- (7) Tenant protection. The owner/developer shall take appropriate action to protect tenants from hazards associated with abatement procedures. Where necessary, these actions may include the temporary relocation of tenants during the abatement process. The owner/developer shall notify the grantee of all such actions taken.
- (8) Records. The grantee shall keep a copy of each inspection and/or test report for at least three years.
- (9) Monitoring and enforcement. HUD field office monitoring of rehabilitation programs includes reviews for compliance with applicable program requirements for lead-based paint. The CPD Field Monitoring Handbook which currently includes instructions for monitoring lead-based paint requirements will be amended as appropriate. In cases of noncompliance, HUD may impose conditions or sanctions on grantees to encourage prompt compliance.
- (10) Compliance with other program requirements, Federal, State and local laws.
 - (i) Other program requirements. To the extent that assistance from any of the programs covered by this section is used in conjunction with other HUD program assistance which have lead-based paint requirements which may have more or less stringent requirements, the more stringent requirements will prevail.
 - (ii) HUD responsibility. If HUD determines that a State or local law, ordinance, code or regulation provides for lead-based paint testing or hazard abatement in a manner which provides a level of protection from the hazards of lead-based paint poisoning at least comparable to that provided by the requirements of this section and that adherence to the requirements of this subpart would be duplicative or otherwise cause inefficiencies, HUD may modify or waive the requirements of this section in such manner as may be appropriate to promote efficiency while ensuring such comparable level of protection.

- (iii) Grantee responsibility. Nothing in this section is intended to relieve any grantee in the programs covered by this section of any responsibility for compliance with State or local laws, ordinances, codes or regulations governing lead-based paint testing or hazard abatement.
- (iv) Disposal of lead-based paint debris. Lead-based paint and defective paint debris shall be disposed of in accordance with applicable Federal, State or local requirements. (See, e.g., 40 CFR Parts 260 through 271.)

§ 570.609 Use of debarred, suspended, or ineligible contractors or subrecipients.

Assistance under this part shall not be used directly or indirectly to employ, award contracts to, or otherwise engage the services of, or fund any contractor or subrecipient during any period of debarment, suspension, or placement in ineligibility status under the provisions of 24 CFR Part 24.

§ 570.610 Uniform administrative requirements and cost principles.

The recipient, its agencies or instrumentalities, and subrecipients shall comply with the policies, guidelines, and requirements of 24 CFR Part 85 and OMB Circulars A-87, A-110, A-122, and A-128 (implemented at 24 CFR Part 44), as applicable, as they relate to the acceptance and use of Federal funds under this part. The applicable sections of 24 CFR Part 85 and OMB Circular A-110 are set forth at § 570.502.

§ 570.611 Conflict of interest.

(a) Applicability.

- (1) In the procurement of supplies, equipment, construction, and services by recipients, and by subrecipients (including those specified at § 570.204(c)), the conflict of interest provisions in 24 CFR 85.36 and OMB Circular A-110, respectively, shall apply.
- (2) In all cases not governed by 24 CFR 85.36 and OMB Circular A-110, the provisions of this section shall apply. Such cases include the acquisition and disposition of real property and the provision of assistance by the recipient, by its subrecipients, or to individuals, businesses and other private entities under eligible activities which authorize such assistance (e.g., rehabilitation, preservation, and

other improvements of private properties or facilities pursuant to § 570.202, or grants, loans and other assistance to businesses, individuals and other private entities pursuant to § 570.203, § 570.204 or § 570.455).

- (b) Conflicts prohibited. Except for the use of CDBG funds to pay salaries and other related administrative or personnel costs, the general rule is that no persons described in paragraph (c) of this section who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part or who are in a position to participate in a decisionmaking process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from a CDBG assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter. For the UDAG program, the above restrictions shall apply to all activities that are a part of the UDAG project, and shall cover any such interest or benefit during, or at any time after, such person's tenure.
- (c) Persons covered. The conflict of interest provisions of paragraph (b) of this section apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the recipient, or of any designated public agencies, or subrecipients which are receiving funds under this part.
- (d) Exceptions: threshold requirements. Upon the written request of the recipient, HUD may grant an exception to the provisions of paragraph (b) of this section on a case-by-case basis when it determines that such an exception will serve to further the purposes of the Act and the effective and efficient administration of the recipient's program or project. An exception may be considered only after the recipient has provided the following:
- (1) A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and
 - (2) An opinion of the recipient's attorney that the interest for which the exception is sought would not violate State or local law.
- (e) Factors to be considered for exceptions. In determining whether to grant a requested exception after the recipient has satisfactorily met the requirements of paragraph (d) of this

section, HUD shall consider the cumulative effect of the following factors, where applicable:

- (1) Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project which would otherwise not be available;
- (2) Whether an opportunity was provided for open competitive bidding or negotiation;
- (3) Whether the person affected is a member of a group or class of low or moderate income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
- (4) Whether the affected person has withdrawn from his or her functions or responsibilities, or the decisionmaking process with respect to the specific assisted activity in question;
- (5) Whether the interest or benefit was present before the affected person was in a position as described in paragraph (b) of this section;
- (6) Whether undue hardship will result either to the recipient or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and
- (7) Any other relevant considerations.

§ 570.612 Executive Order 12372.

- (a) General. Executive Order 12372, Intergovernmental Review of Federal Programs, and the Department's implementing regulations at 24 CFR Part 52, allow each State to establish its own process for review and comment on proposed Federal financial assistance programs.
- (b) Applicability. Executive Order 12372 applies to the CDBG Entitlement program and the UDAG program. The Executive Order applies to all activities proposed to be assisted under UDAG, but it applies to the Entitlement program only where a grantee proposes to use funds for the planning or construction (reconstruction or installation) of water or sewer facilities. Such facilities include storm sewers as well as all sanitary sewers, but do not include water and sewer lines connecting a structure to the lines in the public right-of-way or easement. It is the responsibility of the grantee to initiate the Executive Order review process if it proposes to use its CDBG or UDAG funds for activities subject to review.

Subpart M -- Loan Guarantees.

Sec.

- 570.700 Eligible applicants.
- 570.701 Eligible activities.
- 570.702 Application requirements.
- 570.703 Loan requirements.
- 570.704 Federal guarantee.
- 570.705 Applicability of rules and regulations.
- 570.706 Sanctions.

Subpart M -- Loan Guarantees.

§ 570.700 Eligible applicants.

- (a) Units of general local government entitled to receive a grant under section 106(b) of the Act (metropolitan cities and urban counties) may apply for loan guarantee assistance under this subpart.
- (b) Public agencies may be designated by eligible units of general local government to receive a loan guarantee on notes or other obligations issued by the public agency in accordance with this subpart. In such case the applicant unit of general local government shall be required to pledge its current and future grants under the Act as security for the notes or other obligations issued by the public agency.

§ 570.701 Eligible activities.

Loan guarantee assistance under this subpart may be used for the following activities undertaken by the unit of general local government or its designated public agency provided such activities meet the requirements of § 570.200. However, guaranteed loan funds may not be used to reimburse the program account or letter of credit for costs incurred by the unit of general local government or designated public agency and paid with other CDBG funds.

- (a) Acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development purposes.
- (b) Rehabilitation of real property owned or acquired by the unit of general local government or its designated public agency.

- (c) Payment of interest on obligations guaranteed under this subpart.
- (d) Relocation payments and assistance for individuals, families, businesses, nonprofit organizations and farm operations displaced as a result of activities financed with loan guarantee assistance.
- (e) Clearance, demolition and removal, including movement of structures to other sites, of buildings and improvements on real property acquired or rehabilitated pursuant to paragraphs (a) and (b) of this section.
- (f) Site preparation, including construction, reconstruction, or installation of public improvements, utilities, or facilities (other than buildings) related to the redevelopment or use of the real property acquired or rehabilitated pursuant to paragraphs (a) and (b) of this section.
- (g) Payment of issuance, underwriting, servicing, and other costs associated with private sector financing of notes or other obligations guaranteed under this subpart.
- (h) Housing rehabilitation eligible under § 570.202.
- (i) Activities eligible under § 570.203.
- (j) Community economic development projects eligible under § 570.204.
- (k) Acquisition, construction, reconstruction, rehabilitation, or installation of public facilities (except for buildings for the general conduct of government), site improvements, and utilities, for an economic development purpose.

§ 570.702 Application requirements.

(a) Presubmission requirements.

- (1) Prior to submission of an application for loan guarantee assistance to HUD, the applicant must comply with the presubmission requirements specified in § 570.301 with respect to the activities proposed for loan guarantee assistance.
- (2) If an application for loan guarantee assistance is simultaneous with the applicant's submission for its entitlement grant, the applicant may use the statement of community development objectives and projected use of funds prepared for its annual grant pursuant to § 570.301 by including and identifying the activities to be undertaken with the guaranteed loan funds.

- (b) Submission requirements. An application for loan guarantee assistance shall be submitted to the appropriate HUD field office and shall consist of the following:
- (1) A copy of the applicant's final statement of community development objectives and projected use of guaranteed loan funds.
 - (2) A description of how each of the activities to be carried out with the guaranteed loan funds meets one of the criteria in § 570.208.
 - (3) A schedule for repayment of the loan which identifies the sources of repayment.
 - (4) A certification providing assurance that the applicant possesses legal authority to make the pledge of grants required under § 570.703(b)(2).
 - (5) A certification providing assurance that the applicant has made efforts to obtain financing for activities described in the application without the use of the loan guarantee, the applicant will maintain documentation of such efforts for the term of the loan guarantee, and the applicant cannot complete such financing consistent with the timely execution of the program plans without such guarantee.
 - (6) Certifications required pursuant to § 570.303. For the purposes of this requirement, the terms "grant" and "CDBG" in such certifications shall also mean guaranteed loan.
- (c) Economic feasibility and financial risk. The Secretary will make no determination with respect to the economic feasibility of projects proposed to be funded with the proceeds of guaranteed loans; such determination is the responsibility of the applicant. In determining whether a loan guarantee constitutes an acceptable financial risk, the Secretary will consider the applicant's current and future entitlement block grants as the primary source of loan repayment. Approval of a loan guarantee under this subpart is not to be construed, in any way, as indicating that HUD has agreed to the feasibility of a project beyond recognition that pledged grant funds should be sufficient to retire the debt.
- (d) HUD review and approval of applications.
- (1) HUD will normally accept the grantee's certifications. The Secretary reserves the right, however, to consider relevant information which challenges the certifications and to require additional information or assurances from the grantee as warranted by such information.

- (2) The field office shall review the application for compliance with requirements specified in this subpart and forward the application together with its recommendation for approval or disapproval of the requested loan guarantee to HUD Headquarters.
- (3) The Secretary may disapprove an application, or may approve loan guarantee assistance for an amount less than requested, for any of the following reasons:
 - (i) The Secretary determines that the guarantee constitutes an unacceptable financial risk. Factors that will be considered in assessing financial risk shall include, but not be limited to, the following:
 - (A) The length of the proposed repayment period;
 - (B) The ratio of expected annual debt service requirements to expected annual grant amount;
 - (C) The applicant's status as a metropolitan city or urban county during the proposed repayment period; and
 - (D) The applicant's ability to furnish adequate security pursuant to § 570.703(b).
 - (ii) The guarantee requested exceeds the maximum loan amount specified under § 570.703(a).
 - (iii) Funds are not available in the amount requested.
 - (iv) The applicant's performance does not meet the standards prescribed in Subpart O.
 - (v) Activities to be undertaken with the guaranteed loan funds are not listed as eligible under § 570.701(a) through (k).
 - (vi) Activities to be undertaken with the guaranteed loan funds do not meet the criteria in § 570.208 for compliance with one of the national objectives of the Act.
- (4) The Secretary will notify the applicant in writing that the loan guarantee request has either been approved, reduced or disapproved. If the request is reduced or disapproved, the applicant shall be informed of the specific reasons for reduction or disapproval. If the request is approved, the Secretary shall issue an offer of commitment to guarantee

obligations of the applicant or the designated public agency subject to such conditions as the Secretary may prescribe, including the conditions for release of funds described in paragraph (e) of this section.

- (5) Amendments to the loan guarantee shall comply with the requirements of § 570.305. If the applicant wishes to carry out an activity not previously described in its final statement or to substantially change the purpose, scope, location or beneficiaries of an activity, the amendment must be approved by the Secretary.
- (e) Environmental review. The applicant shall comply with HUD environmental review procedures (24 CFR Part 58) for the release of funds for each project carried out with loan guarantee assistance. These procedures set forth the regulations, policies, responsibilities and procedures governing the carrying out of environmental review responsibilities of applicants.
- (f) The applicant (or the designated public agency) shall comply with relocation, displacement and acquisition requirements in connection with activities financed in whole or in part with a loan guarantee under this subpart that are identical to the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as described at § 570.606(a) and HUD implementing regulations at 24 CFR Part 42; the requirements in § 570.606(b) governing the residential antidisplacement and relocation assistance plan under section 104(d) of the Act; the relocation requirements of § 570.606(c) governing displacement subject to section 104(k) of the Act; and the relocation requirements of § 570.606(d) governing optional relocation assistance under section 105(a)(11) of the Act.

§ 570.703 Loan requirements.

- (a) Maximum loan amount. No guarantee or commitment to guarantee shall be made with respect to any note or other obligation if the total outstanding notes or obligations guaranteed under this subpart on behalf of the applicant and each public agency duly designated by the applicant would thereby exceed an amount equal to three times the amount of the entitlement grant made pursuant to § 570.304 to the applicant.
- (b) Security requirements. To assure the repayment of notes or other obligations and charges incurred under this subpart and as a condition for receiving loan guarantee assistance, the applicant (or the applicant and designated public agency, where appropriate) shall:

- (1) Enter into a contract with HUD, in a form acceptable to the Secretary, for repayment of notes or other obligations guaranteed hereunder;
 - (2) Pledge all grants made or for which the applicant may become eligible under this part; and
 - (3) Furnish, at the discretion of the Secretary, such other security as may be deemed appropriate by the Secretary in making such guarantees, including increments in local tax receipts generated by the activities assisted under this part or disposition proceeds from the sale of land or rehabilitated property.
- (c) Use of grants for loan repayment. Notwithstanding any other provision of this part:
- (1) Entitlement grants (including program income derived therefrom) are authorized for use in the payment of principal and interest due (including such servicing, underwriting, or other costs as may be authorized by the Secretary) on the notes or other obligations guaranteed pursuant to this subpart.
 - (2) The Secretary may apply grants pledged pursuant to paragraph (b)(2) of this section to any amounts due under the note or other obligation guaranteed pursuant to this subpart, or to the purchase of such obligation, in accordance with the terms of the contract required by paragraph (b)(1) of this section.
- (d) Debt obligations. Notes or other obligations guaranteed under this subpart shall be in the form and denominations prescribed by the Secretary. Such notes or other obligations may be issued and sold only under such terms and conditions as may be prescribed by the Secretary.
- (e) Taxable obligations. Interest earned on obligations guaranteed under this subpart shall be subject to Federal taxation as provided in section 108(j) of the Act. All applicants or designated public agencies issuing guaranteed obligations must bear the full cost of interest.
- (f) Loan repayment period. As a general rule, the repayment period for a loan guaranteed under this subpart shall be limited to six years. However, a longer repayment period may be permitted in special cases where it is deemed necessary to achieve the purposes of this part.
- (g) Issuance, underwriting, servicing, and other costs. Each applicant or its designated public agency issuing guaranteed

obligations must pay the issuance, underwriting, servicing, and other costs associated with the private sector financing of the guaranteed obligations. Such costs are payable out of the proceeds from the sale of the guaranteed obligations.

§ 570.704 Federal guarantee.

The full faith and credit of the United States is pledged to the payment of all guarantees made under this subpart. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligations for such guarantee with respect to principal and interest, and the validity of such guarantee so made shall be incontestable in the hands of a holder of the guaranteed obligations.

§ 570.705 Applicability of rules and regulations.

The provisions of Subparts A, C, D, J, K and O applicable to Entitlement grants shall apply to loan funds guaranteed under this subpart, except to the extent they are specifically modified or augmented by the provisions of this subpart.

§ 570.706 Sanctions.

The performance review procedures described in Subpart O for entitlement recipients apply to this subpart. Performance deficiencies in the use of loans guaranteed under this subpart or violations of the contract entered into pursuant to § 570.703(b)(1) may result in the imposition of a sanction authorized pursuant to § 570.900(b)(7) against the pledged entitlement grants. In addition, upon a finding by the Secretary that the recipient has failed to comply substantially with any provision of the Act with respect to either the pledged entitlement grants or the guaranteed loan funds, the Secretary may take action against the pledged grants as provided in § 570.913 and/or may take action as provided in the contract.

Subpart O -- Performance Reviews

Sec.

- 570.900 General.
- 570.901 Review for compliance with the primary and national objectives and other program requirements.
- 570.902 Review to determine if CDBG funded activities are being carried out in a timely manner.
- 570.903 Review to determine if the housing assistance plan (HAP) is being carried out in a timely manner.
- 570.904 Equal Opportunity and Fair Housing review criteria.
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- 570.906 Review of urban counties.
- 570.907 - 570.909 Reserved.
- 570.910 Corrective and remedial actions.
- 570.911 Reduction, withdrawal, or adjustment of a grant or other appropriate action.
- 570.912 Nondiscrimination compliance.
- 570.913 Other remedies for noncompliance.

Subpart O -- Performance Reviews

§ 570.900 General.

(a) Performance review authorities.

- (1) Entitlement and HUD-administered Small Cities performance reviews. Section 104(e)(1) of the Act requires that the Secretary shall, at least on an annual basis, make such reviews and audits as may be necessary or appropriate to determine whether the recipient has carried out its activities, and where applicable, its housing assistance plan in a timely manner, whether the recipient has carried out those activities and its certifications in accordance with the requirements and the primary objectives of the Act and with other applicable laws, and whether the recipient has a continuing capacity to carry out those activities in a timely manner.
- (2) Urban Development Action Grant (UDAG) performance reviews. Section 119(g) of the Act requires the Secretary, at least on an annual basis, to make such reviews and audits of recipients of Urban Development Action Grants as necessary to determine whether the recipient's progress in carrying out the approved activities is substantially in accordance with the recipient's approved plans and timetables.

(b) Performance review procedures. This paragraph describes the review procedures the Department will use in conducting the performance reviews required by sections 104(e) and 119(g) of the Act:

- (1) The Department will determine the performance of each entitlement and HUD-administered small cities recipient in accordance with section 104(e)(1) of the Act by reviewing for compliance with the requirements described in § 570.901 and by applying the performance criteria described in §§ 570.902 and 570.903 relative to carrying out activities and, where applicable, the housing assistance plan in a timely manner. The review criteria in § 570.904 will be used to assist in determining if the recipient's program is being carried out in compliance with civil rights requirements.
- (2) The Department will review UDAG projects and activities to determine whether such projects and activities are being carried out substantially in accordance with the recipient's approved plans and schedules. The Department will also review to determine if the recipient has carried out its UDAG program in accordance with all other requirements of the Grant Agreement and with all applicable requirements of this part.
- (3) In conducting performance reviews, HUD will primarily rely on information obtained from the recipient's performance report, records maintained, findings from on-site monitoring, audit reports, and the status of the letter of credit. Where applicable, the Department may also consider relevant information pertaining to a recipient's performance gained from other sources, including litigation, citizen comments and other information provided by the recipient. A recipient's failure to maintain records in the prescribed manner may result in a finding that the recipient has failed to meet the applicable requirement to which the record pertains.
- (4) If HUD determines that a recipient has not met a civil rights review criterion in § 570.904, the recipient will be provided an opportunity to demonstrate that it has nonetheless met the applicable civil rights requirement.
- (5) If HUD finds that a recipient has failed to comply with a program requirement or has failed to meet a performance criterion in § 570.902 or § 570.903, the recipient will be provided an opportunity to contest the finding.
- (6) If the recipient is unsuccessful in contesting the validity of a finding of noncompliance or a finding that the recipient

has failed to carry out its activities or its housing assistance plan in a timely manner, HUD may require the recipient to undertake appropriate corrective or remedial actions as specified in § 570.910. HUD will undertake the continuing capacity review required by § 570.905 prior to selecting the corrective or remedial actions.

- (7) If the recipient fails to undertake appropriate corrective or remedial actions which resolve the deficiency to the satisfaction of the Secretary, the Secretary may impose a sanction pursuant to §§ 570.911, 570.912, or 570.913, as applicable.

§ 570.901 Review for compliance with the primary and national objectives and other program requirements.

HUD will review each entitlement and HUD-administered small cities recipient's program to determine if the recipient has carried out its activities and certifications in compliance with:

- (a) The requirement described at § 570.200(a)(3) that, consistent with the primary objective of the Act, not less than 60 percent of the aggregate amount of CDBG funds received by the recipient shall be used over the period specified in its certification for activities that benefit low and moderate income persons;
- (b) The requirement described at § 570.200(a)(2) that each CDBG assisted activity meets the criteria for one or more of the national objectives described at § 570.208;
- (c) All other activity eligibility requirements defined in Subpart C of this part;
- (d) For entitlement grants only, the presubmission requirements at § 570.301, the amendment requirements at § 570.305 and the displacement policy requirements at § 570.606;
- (e) For HUD-administered small cities grants only, the citizen participation requirements at § 570.431, the amendment requirements at § 570.434 and the displacement policy requirements of § 570.606;
- (f) The grant administration requirements described in Subpart J;
- (g) Other applicable laws and program requirements described in Subpart K; and

- (h) Where applicable, the requirements pertaining to loan guarantees (Subpart M) and urban renewal completions (Subpart N).

§ 570.902 Review to determine if CDBG funded activities are being carried out in a timely manner.

HUD will review the performance of each entitlement and HUD-administered small cities recipient to determine whether each recipient is carrying out its CDBG assisted activities in a timely manner.

(a) Entitlement recipients.

- (1) Before the funding of the next annual grant and absent substantial evidence to the contrary, the Department will consider an entitlement recipient to be carrying out its CDBG activities in a timely manner if, 60 days prior to the end of its current program year:

- (i) The amount of entitlement grant funds available to the recipient under grant agreements but undisbursed by the U.S. Treasury is less than 1.5 times the entitlement grant amount for its current program year; and,
- (ii) In cases where the recipient has received at least two consecutive entitlement grants, the amount of entitlement grant funds disbursed by the U.S. Treasury to the recipient during the previous twelve month period is equal to or greater than one-half of the entitlement grant amount for its current program year.

- (2) Where it is known that a recipient has an unusually large amount of program income funds on hand (relative to the grant amount), HUD may determine that the amount of such funds is sufficient to override the conclusion that would otherwise be made based solely on the criteria in paragraph (1) above.

- (3) HUD may also review an entitlement recipient's progress at other times during the year to determine whether the recipient's rate of fund expenditure is likely to fall outside of the criteria in subparagraph (i), in which case the Department will notify the recipient of a potential problem with the lack of timeliness in carrying out its activities.

- (b) HUD-administered Small Cities program. The Department will, absent substantial evidence to the contrary, consider that a HUD-administered small cities recipient is carrying out its CDBG funded activities in a timely manner if the schedule for carrying out its activities as contained in the approved application, or subsequent amendment, is being substantially met.

§ 570.903 Review to determine if the housing assistance plan (HAP) is being carried out in a timely manner.

- (a) HUD will review an entitlement grant recipient's HAP performance prior to HUD's approval of each succeeding year's HAP and prior to acceptance of a grant recipient's HAP certification in order to determine whether the recipient is achieving its specific HAP goals in a timely manner.
- (b) Absent substantial evidence to the contrary, HUD will consider that an entitlement recipient is carrying out its approved HAP in a timely manner if at the end of each of the first two years governed by the HAP, the recipient has substantially met each annual goal for that year, and if at the end of the third year of the period governed by the HAP, a recipient has substantially met its three year goals. For the three year period, this standard also requires that the provision of rental subsidies has been made in reasonable proportion to the goal for each household type as identified in the HAP.
- (c) For a recipient whose HAP performance does not fall within the criteria in paragraph (b) of this section, a review shall be conducted which considers the extent to which the recipient made use of housing assistance resources that were available to meet the applicable HAP goals. Where such consideration of the use of available resources results in a determination that the recipient has taken all reasonable actions to use available resources and has not impeded the provision of housing assistance which would have been consistent with the HAP goals, HUD may also consider, under such circumstances, that a recipient has carried out its HAP in a timely manner.
- (d) In measuring progress in achieving one-year goals, HUD will consider the extent to which the recipient has made or received firm financial commitments which have not subsequently been canceled for specific projects, households or units identified in the HAP by household and tenure type within a two year period. Progress in achieving the three-year goal will consider the movement of firm financial commitments to start of rehabilitation or construction, or in the case of the Section 8 Housing Assistance Payment Program--Existing Housing (24 CFR Part 882) certificates or vouchers under section 8(o) of the United States Housing Act of 1937 to occupancy, within a reasonable period of time. Such reasonable period of time may be within the three-year period covered by the applicable three-year goals, or, for firm financial commitments received late in the three-year period, it may be a year or more into the next three-year cycle.

- (e) If HUD determines that an entitlement grant recipient has not met the criteria outlined in paragraph (b) or (c) of this section, the recipient will be notified and provided a reasonable opportunity to demonstrate to the satisfaction of the Secretary that the recipient has carried out its HAP in a timely manner considering all relevant circumstances and the recipient's actions and lack of actions affecting the provision of housing assistance within its jurisdiction. Failure to so demonstrate will be cause for HUD to find that the recipient has failed to carry out its HAP in a timely manner. The response by the recipient should describe:
- (1) The factors which prevented it from meeting those HAP goals it failed to meet; and
 - (2) The actions which were taken to facilitate achieving its HAP goals, including the following where applicable:
 - (i) The removal of impediments under local ordinances and land use requirements to the development of assisted housing;
 - (ii) The formation of a local housing authority or execution of an agreement with a housing authority having powers to provide assisted housing within the jurisdiction of the recipient, when necessary to carry out the HAP;
 - (iii) The provision of sites, improvements to sites, and/or extensions of utilities to sites for assisted housing new construction, provided that such sites meet the applicable HUD site and neighborhood standards;
 - (iv) Establishment of a housing rehabilitation program or increased use of an existing one where substantial need for rehabilitation is evident; and
 - (v) Cooperation with a local housing authority or other proper administrative body to facilitate operation of the Section 8 Housing Assistance Payment Program- Existing Housing (or a comparable rental assistance program) through such means as landlord information programs and identification of available rental unit inventories.

§ 570.904 Equal Opportunity and Fair Housing Review Criteria.

(a) General.

- (1) Where the criteria in this section are met, the Department will presume that the recipient has carried out its CDBG-funded program in accordance with civil rights certifications

and civil rights requirements of the Act relating to equal employment opportunity, equal opportunity in services, benefits and participation, and is affirmatively furthering fair housing unless:

- (i) There is evidence which shows, or from which it is reasonable to infer, that the recipient, motivated by considerations of race, color, religion where applicable, sex, national origin, age or handicap, has treated some persons less favorably than others, or
 - (ii) There is evidence that a policy, practice, standard or method of administration, although neutral on its face, operates to deny or affect adversely in a significantly disparate way the provision of employment or services, benefits or participation to persons of a particular race, color, religion where applicable, sex, national origin, age or handicap, or fair housing to persons of a particular race, color, religion, sex, or national origin, or
 - (iii) Where the Secretary required a further assurance pursuant to § 570.304 in order to accept the recipient's prior civil rights certification, the recipient has failed to meet any such assurance.
- (2) In such instances, or where the review criteria in this section are not met, the recipient will be afforded an opportunity to present evidence that it has not failed to carry out the civil rights certifications and fair housing requirements of the Act. The Secretary's determination of whether there has been compliance with the applicable requirements will be made based on a review of the recipient's performance, evidence submitted by the recipient, and all other available evidence. The Department may also initiate separate compliance reviews under Title VI of the Civil Rights Act of 1964 or section 109 of the Act.
- (b) Review for equal opportunity. Section 570.601(a) sets forth the general requirements for Title VI of the Civil Rights Act of 1964 and § 570.602 sets forth the general requirements for section 109 of the Act. Together these provisions prohibit discrimination in any program or activity funded in whole or in part with funds made available under this part.
- (1) Review for equal employment opportunity. The Department will presume that a recipient's hiring and employment practices have been carried out in compliance with its equal opportunity certifications and requirements of the Act. This presumption may be rebutted where, based on the totality of circumstances, there has been a deprivation of employment,

promotion, or training opportunities by a recipient to any person within the meaning of section 109. The extent to which persons of a particular race, gender, or ethnic background are represented in the workforce may in certain circumstances be considered, together with complaints, performance reviews, and other information.

- (2) Review of equal opportunity in services, benefits and participation. The Department will presume a recipient is carrying out its programs and activities in accordance with the civil rights certifications and requirements of the Act. This presumption may be rebutted where, based on the totality of circumstances, there has been a deprivation of services, benefits, or participation in any program or activity funded in whole or in part with block grant funds by a recipient to any person within the meaning of section 109. The extent to which persons of a particular race, gender, or ethnic background participate in a program or activity may in certain circumstances be considered, together with complaints, performance reviews, and other information.

- (c) Fair housing review criteria. Section 570.601(b) sets forth the general requirements for Title VIII of the Civil Rights Act of 1968 and the grantee's certification that it will affirmatively further fair housing. In reviewing a recipient's actions in carrying out its housing and community development activities in a manner to affirmatively further fair housing in the private and public housing sectors, absent independent evidence to the contrary, the Department will consider that a recipient has taken such actions in accordance with its certification if the recipient meets the following review criteria:
 - (1) The recipient has conducted an analysis to determine the impediments to fair housing choice in its housing and community development program and activities. The term "fair housing choice" means the ability of persons, regardless of race, color, religion, sex, or national origin, of similar income levels to have available to them the same housing choices. This analysis shall include a review for impediments to fair housing choice in the following areas:
 - (i) The sale or rental of dwellings;
 - (ii) The provision of housing brokerage services;
 - (iii) The provision of financing assistance for dwellings;
 - (iv) Public policies and actions affecting the approval of sites and other building requirements used in the approval process for the construction of publicly assisted housing;

- (v) The administrative policies concerning community development and housing activities, such as urban homesteading, multifamily rehabilitation, and activities causing displacement, which affect opportunities of minority households to select housing inside or outside areas of minority concentration; and
 - (vi) Where there is a determination of unlawful segregation or other housing discrimination by a court or a finding of noncompliance by HUD regarding assisted housing within a recipient's jurisdiction, an analysis of the actions which could be taken by the recipient to help remedy the discriminatory condition, including actions involving the expenditure of funds made available under this part.
- (2) Based upon the conclusions of the analysis in (1) above, the recipient has taken lawful steps, consistent with this part, relating to housing and community development to overcome the effects of conditions that limit fair housing choice within the recipient's jurisdiction. Such actions may include:
- (i) Enactment and enforcement of an ordinance providing for fair housing consistent with the federal fair housing law;
 - (ii) Support of the administration and enforcement of state fair housing laws providing for fair housing consistent with the federal fair housing law;
 - (iii) Participation in voluntary partnerships developed with public and private organizations to promote the achievement of the goal of fair housing choice (including implementation of a locally-developed and HUD-approved New Horizons comprehensive fair housing plan);
 - (iv) Contracting with private organizations, including private fair housing organizations, where such support will bring about actions consistent with titles VI and VIII, to address the impediments identified in the analysis described in (c)(1) of this section;
 - (v) Activities which assist in remedying findings or determinations of unlawful segregation or other discrimination involving assisted housing within the recipient's jurisdiction.
 - (vi) Other actions consistent with law determined to be appropriate based upon the conclusions of the analysis.

- (d) Actions to use minority and women's business firms. The Department will review a recipient's performance to determine if it has administered its activities funded with assistance under this part in a manner to encourage use of minority and women's business enterprises described in Executive Orders 11625, 12432 and 12138, and 24 CFR 85.36(e). In making this review, the Department will determine if the grantee has taken actions required under § 85.36(e) of this chapter, and will review the effectiveness of those actions in accomplishing the objectives of § 85.36(e) of this chapter and the Executive Orders. No recipient is required by this part to attain or maintain any particular statistical level of participation in its contracting activities by race, ethnicity, or gender of the contractor's owners or managers.

§ 570.905 Review of continuing capacity to carry out CDBG funded activities in a timely manner.

If HUD determines that the recipient has not carried out its CDBG activities and certifications in accordance with the requirements and criteria described in §§ 570.901 or 570.902, HUD will undertake a further review to determine whether or not the recipient has the continuing capacity to carry out its activities in a timely manner. In making the determination, the Department will consider the nature and extent of the recipient's performance deficiencies, types of corrective actions the recipient has undertaken and the success or likely success of such actions.

§ 570.906 Review of urban counties.

In reviewing the performance of an urban county, HUD will hold the county accountable for the actions or failures to act of any of the units of general local government participating in the urban county. Where the Department finds that a participating unit of government has failed to cooperate with the county to undertake or assist in undertaking an essential community development or assisted housing activity and that such failure results, or is likely to result, in a failure of the urban county to meet any requirement of the program or other applicable laws, the Department may prohibit the county's use of funds made available under this part for that unit of government. HUD will also consider any such failure to cooperate in its review of a future cooperation agreement between the county and such included unit of government described at § 570.307(b)(2).

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§ 570.910 Corrective and remedial actions.

- (a) General. Consistent with the procedures described in § 570.900(b), the Secretary may take one or more of the actions described in paragraph (b) of this section. Such actions shall be designed to prevent a continuation of the performance deficiency; mitigate, to the extent possible, the adverse effects or consequences of the deficiency; and prevent a recurrence of the deficiency.
- (b) Actions authorized. The following lists the actions that HUD may take in response to a deficiency identified during the review of a recipient's performance:
- (1) Issue a letter of warning advising the recipient of the deficiency and putting the recipient on notice that additional action will be taken if the deficiency is not corrected or is repeated;
 - (2) Recommend, or request the recipient to submit, proposals for corrective actions, including the correction or removal of the causes of the deficiency, through such actions as:
 - (i) Preparing and following a schedule of actions for carrying out the affected CDBG activities, consisting of schedules, timetables and milestones necessary to implement the affected CDBG activities;
 - (ii) Establishing and following a management plan which assigns responsibilities for carrying out the actions identified in paragraph (b)(2)(i) of this section;
 - (iii) For entitlement recipients, canceling or revising affected activities which are no longer feasible to implement due to the deficiency and reprogramming funds from such affected activities to other eligible activities (pursuant to the citizen participation requirements in Subpart D); or
 - (iv) Other actions which will serve to prevent a continuation of the deficiency, mitigate (to the extent possible) the adverse effects or consequences of the deficiency, and prevent a recurrence of the deficiency;
 - (3) Advise the recipient that a certification will no longer be acceptable and that additional assurances will be required;

- (4) Advise the recipient to suspend disbursement of funds for the deficient activity;
- (5) Advise the recipient to reimburse its program account or letter of credit in any amounts improperly expended and reprogram the use of the funds in accordance with applicable requirements;
- (6) Change the method of payment to the recipient from a letter of credit basis to a reimbursement basis;
- (7) In the case of claims payable to HUD or the U.S. Treasury, institute collection procedures pursuant to Subpart B of 24 CFR Part 17; and
- (8) In the case of an entitlement recipient, condition the use of funds from a succeeding fiscal year's allocation upon appropriate corrective action by the recipient pursuant to § 570.304(d). The failure of the recipient to undertake the actions specified in the condition may result in a reduction, pursuant to § 570.911, of the entitlement recipient's annual grant by up to the amount conditionally granted.

§ 570.911 Reduction, withdrawal, or adjustment of a grant or other appropriate action.

- (a) Opportunity for an informal consultation. Prior to a reduction, withdrawal, or adjustment of a grant or other appropriate action, taken pursuant to paragraph (b), (c), or (d) below, the recipient shall be notified of such proposed action and given an opportunity within a prescribed time period for an informal consultation.
- (b) Entitlement grants. Consistent with the procedures described in § 570.900(b), the Secretary may make a reduction in the entitlement grant amount either for the succeeding program year or, if the grant had been conditioned, up to the amount that had been conditioned. The amount of the reduction shall be based on the severity of the deficiency and may be for the entire grant amount.
- (c) HUD-administered small cities grants. Consistent with the procedures described in § 570.900(b), the Secretary may adjust, reduce or withdraw the grant or take other actions as appropriate, except that funds already expended on eligible approved activities shall not be recaptured or deducted from future grants.
- (d) Urban Development Action Grants. Consistent with the procedures described in § 570.900(b), the Secretary may adjust, reduce or

withdraw the grant or take other actions as appropriate, except that funds already expended on eligible approved activities shall not be recaptured or deducted from future grants made to the recipient.

§ 570.912 Nondiscrimination compliance.

- (a) Whenever the Secretary determines that a unit of general local government which is a recipient of assistance under this part has failed to comply with § 570.602, the Secretary shall notify the governor of such State or chief executive officer of such unit of general local government of the noncompliance and shall request the governor or the chief executive officer to secure compliance. If within a reasonable period of time, not to exceed sixty days, the governor or chief executive officer fails or refuses to secure compliance, the Secretary is authorized to:
- (1) Refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted;
 - (2) Exercise the powers and functions provided by Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d);
 - (3) Exercise the powers and functions provided for in § 570.913; or
 - (4) Take such other action as may be provided by law.
- (b) When a matter is referred to the Attorney General pursuant to paragraph (a)(1) of this section, or whenever the Secretary has reason to believe that a State or a unit of general local government is engaged in a pattern or practice in violation of the provisions of § 570.602, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

§ 570.913 Other remedies for noncompliance.

- (a) If the Secretary finds after reasonable notice and opportunity for hearing that a recipient has failed to comply substantially with any provision of this Part, the Secretary, until he/she is satisfied that there is no longer any such failure to comply, shall:

- (1) Terminate payments to the recipient;
 - (2) Reduce payments to the recipient by an amount equal to the amount of such payments which were not expended in accordance with this part; or
 - (3) Limit the availability of payments to programs or activities not affected by such failure to comply. Provided, however, that the Secretary may on due notice suspend payments at any time after the issuance of a notice of opportunity for hearing pursuant to paragraph (c)(1) of this section, pending such hearing and a final decision, to the extent the Secretary determines such action necessary to preclude the further expenditure of funds for activities affected by such failure to comply.
- (b) In lieu of, or in addition to, any action authorized by paragraph (a) of this section, the Secretary may, if he/she has reason to believe that a recipient has failed to comply substantially with any provision of this Part;
- (1) Refer the matter to the Attorney General of the United States with a recommendation that an appropriate civil action be instituted; and
 - (2) Upon such a referral, the Attorney General may bring a civil action in any United States district court having venue thereof for such relief as may be appropriate, including an action to recover the amount of the assistance furnished under this part which was not expended in accordance with it, or for mandatory or injunctive relief;
- (c) Proceedings. When the Secretary proposes to take action pursuant to this section, the respondent is the unit of general local government or State receiving assistance under this part. These procedures are to be followed prior to imposition of a sanction described in paragraph (a) of this section:
- (1) Notice of opportunity for hearing: The Secretary shall notify the respondent in writing of the proposed action and of the opportunity for a hearing. The notice shall:
 - (i) Specify, in a manner which is adequate to allow the respondent to prepare its response, allegations with respect to a failure to comply substantially with a provision of this part;
 - (ii) State that the hearing procedures are governed by these rules;

- (iii) State that a hearing may be requested within 10 days from receipt of the notice and the name, address and telephone number of the person to whom any request for hearing is to be addressed:
 - (iv) Specify the action which the Secretary proposes to take and that the authority for this action is section 111(a) of the Act;
 - (v) State that if the respondent fails to request a hearing within the time specified a decision by default will be rendered against the respondent; and
 - (vi) Be sent to the respondent by certified mail, return receipt requested.
- (2) Initiation of hearing. The respondent shall be allowed at least 10 days from receipt of the notice within which to notify HUD of its request for a hearing. If no request is received within the time specified, the Secretary may proceed to make a finding on the issue of compliance with this part and to take the proposed action.
- (3) Administrative Law Judge. Proceedings conducted under these rules shall be presided over by an Administrative Law Judge (ALJ), appointed as provided by section 11 of the Administrative Procedures Act (5 U.S.C. 3105). The case shall be referred to the ALJ by the Secretary at the time a hearing is requested. The ALJ shall promptly notify the parties of the time and place at which the hearing will be held. The ALJ shall conduct a fair and impartial hearing and take all action necessary to avoid delay in the disposition of proceedings and to maintain order. The ALJ shall have all powers necessary to those ends, including but not limited to the power to:
- (i) Administer oaths and affirmations;
 - (ii) Issue subpoenas as authorized by law;
 - (iii) Rule upon offers of proof and receive relevant evidence;
 - (iv) Order or limit discovery prior to the hearing as the interests of justice may require;
 - (v) Regulate the course of the hearing and the conduct of the parties and their counsel;

- (vi) Hold conferences for the settlement or simplification of the issues by consent of the parties;
 - (vii) Consider and rule upon all procedural and other motions appropriate in adjudicative proceedings; and
 - (viii) Make and file initial determinations.
- (4) Ex parte communications. An ex parte communication is any communication with an ALJ, direct or indirect, oral or written, concerning the merits or procedures of any pending proceeding which is made by a party in the absence of any other party. Ex parte communications are prohibited except where the purpose and content of the communication have been disclosed in advance or simultaneously to all parties, or the communication is a request for information concerning the status of the case. Any ALJ who receives an ex parte communication which the ALJ knows or has reason to believe is unauthorized shall promptly place the communication, or its substance, in all files and shall furnish copies to all parties. Unauthorized ex parte communications shall not be taken into consideration in deciding any matter in issue.
- (5) The hearing. All parties shall have the right to be represented at the hearing by counsel. The ALJ shall conduct the proceedings in an expeditious manner while allowing the parties to present all oral and written evidence which tends to support their respective positions, but the ALJ shall exclude irrelevant, immaterial or unduly repetitious evidence. The Department has the burden of proof in showing by a preponderance of the evidence that the respondent failed to comply substantially with a provision of this part. Each party shall be allowed to cross-examine adverse witnesses and to rebut and comment upon evidence presented by the other party. Hearings shall be open to the public. So far as the orderly conduct of the hearing permits, interested persons other than the parties may appear and participate in the hearing.
- (6) Transcripts. Hearings shall be recorded and transcribed only by a reporter under the supervision of the ALJ. The original transcript shall be a part of the record and shall constitute the sole official transcript. Respondents and the public, at their own expense, may obtain copies of the transcript.
- (7) The ALJ's decision. At the conclusion of the hearing, the ALJ shall give the parties a reasonable opportunity to submit proposed findings and conclusions and supporting reasons therefor. Within 25 days after the conclusion of the hearing, the ALJ shall prepare a written decision which includes a statement of findings and conclusions, and the

reasons or basis therefor, on all the material issues of fact, law or discretion presented on the record and the appropriate sanction or denial thereof. The decision shall be based on consideration of the whole record or those parts thereof cited by a party and supported by and in accordance with the reliable, probative, and substantial evidence. A copy of the decision shall be furnished to the parties immediately by certified mail, return receipt requested, and shall include a notice that any requests for review by the Secretary must be made in writing to the Secretary within 30 days of the receipt of the decision.

- (8) The record. The transcript of testimony and exhibits, together with the decision of the ALJ and all papers and requests filed in the proceeding, constitutes the exclusive record for decision and, on payment of its reasonable cost, shall be made available to the parties. After reaching his/her initial decision, the ALJ shall certify to the complete record and forward the record to the Secretary.
- (9) Review by the Secretary. The decision by the ALJ shall constitute the final decision of the Secretary unless, within 30 days after the receipt of the decision, either the respondent or the Assistant Secretary for Community Planning and Development files an exception and request for review by the Secretary. The excepting party must transmit simultaneously to the Secretary and the other party the request for review and the basis of the party's exceptions to the findings of the ALJ. The other party shall be allowed 30 days from receipt of the exception to provide the Secretary and the excepting party with a written reply. The Secretary shall then review the record of the case, including the exceptions and the reply. On the basis of such review, the Secretary shall issue a written determination, including a statement of the reasons or basis therefor, affirming, modifying or revoking the decision of the ALJ. The Secretary's decision shall be made and transmitted to the parties within 80 days after the decision of the ALJ was furnished to the parties.
- (10) Judicial review. The respondent may seek judicial review of the Secretary's decision pursuant to section 111(c) of the Act.