

This page is located on the U.S. Department of Housing and Urban Development's Homes and Communities Web site at <http://www.hud.gov/news/release.cfm?CONTENT=pr08-148.cfm>.



## News Release

- Information by State
- Print version

**HUD No. 08-148**  
**Brian Sullivan**  
**(202) 708-0685**  
[www.hud.gov/news/](http://www.hud.gov/news/)

**For Release**  
**Friday**  
**September 26, 2008**

---

**PRESTON ALLOCATES NEARLY \$4 BILLION TO STABILIZE NEIGHBORHOODS IN STATES AND LOCAL COMMUNITIES HARD-HIT BY FORECLOSURE**  
*HUD plans housing summit to explain new Neighborhood Stabilization Program*

WASHINGTON - U.S. Housing and Urban Development Secretary Steve Preston today allocated a total of \$3.92 billion to all states and particularly hard-hit areas trying to respond to the effects of high foreclosures. HUD's new *Neighborhood Stabilization Program* (NSP) will provide targeted emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities.

HUD plans to host a national housing summit in Washington, DC on October 7-8, as well as a series of regional conferences to explain the details of this new program to governors, mayors, county executives and other State and local leaders.

"To those areas trying to recover from the effects of foreclosure and declining property values, help is on the way," said Preston. "Clearly, the intent is to put this money to work in communities with the highest need and to have a meaningful impact. Now the real work begins and HUD stands ready to support these States and communities as they work to stabilize their neighborhoods."

The funding is provided through HUD's *Community Development Block Grant (CDBG) Program* under the Housing and *Economic Recovery Act of 2008*. These targeted funds will be used to purchase foreclosed homes at a discount and to rehabilitate or redevelop them in order to respond to rising foreclosures and falling home values.

State and local governments can use their neighborhood stabilization grants to acquire land and property; to demolish or rehabilitate abandoned properties; and/or to offer downpayment and closing cost assistance to low- to moderate-income homebuyers (household incomes not exceed 120 percent of area median income). In addition, these grantees can create "land banks" to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property.

In determining the allocations announced today, HUD followed Congress's direction that grants be targeted to areas based on the number/percent of foreclosures, subprime mortgages and mortgage defaults and delinquencies. HUD took a data driven approach to this process, relying on numerous data sets from government agencies and private sources.

HUD also will issue specific rules that will assist communities in the administration of this new program and to ensure, as Congress directed, that these grant funds be obligated for specific activities within 18 months. This Congressional timetable may present challenges to state and local governments undertaking ambitious, and in some cases unprecedented, acquisition and rehabilitation activities. Meanwhile, HUD is actively encouraging local governments receiving direct grants to coordinate with each other, and with their state governments, to make most effective use of available funds.

The NSP Program also seeks to prevent future foreclosures by requiring housing counseling for families receiving homebuyer assistance. In addition, the Agency seeks to protect future homebuyers by requiring States and local grantees to ensure that new homebuyers under this program obtain a mortgage loan from a lender who agrees to comply with sound lending practices.

###

*HUD is the nation's housing agency committed to increasing homeownership, particularly among minorities; creating affordable housing opportunities for low-income Americans; and supporting the homeless, elderly, people with disabilities and people living with AIDS. The Department also promotes economic and community development and enforces the nation's fair housing laws. More information about HUD and its programs is available on the Internet at [www.hud.gov](http://www.hud.gov) and [espanol.hud.gov](http://espanol.hud.gov).*

### **HUD's Methodology for allocating the Supplemental CDBG Appropriation**

The Housing and Economic Recovery Act of 2008 calls for allocating funds to States and local governments with the greatest need, as determined by:

- a. "The number and percentage of home foreclosures in each State or unit of general local government;
- b. "The number and percentage of homes financed by a subprime mortgages in each State or unit of general local government; and
- c. "The number and percentage of homes in default or delinquency in each State or unit of general local government."

To ensure these funds have the maximum impact possible and are targeted to States and local communities with the highest needs, HUD analyzed data from several different sources, including:

- The Mortgage Bankers Association *National Delinquency Survey* data on the rate of foreclosure starts in 2007 and 2008 as well as current rates of subprime loans and loans in default or delinquency at the state-wide level;
- Census Bureau data from 2006 on the number of owner-occupied mortgages in each state to ensure that all states are treated equally;
- Federal Reserve's *Home Mortgage Disclosure Act (HMDA)* data on owner-occupied and investor mortgages made between 2004 and 2006, as well as the percent of those loans that are high-cost;
- Vacancy data from the U.S. Postal Service to determine areas where abandonment of homes due to foreclosure is more likely;
- Public data from the Office of Federal Housing Enterprise Oversight (OFHEO) to measure home price declines; and
- Labor Department data on the rate of unemployment at the city and county level.

**U.S. Department of Housing and Urban Development**

451 7th Street, S.W., Washington, DC 20410

Telephone: (202) 708-1112 [Find the address of a HUD office near you](#)