

U.S. Department of Housing and Urban Development (HUD)
[Docket No. FR-5255-N-02]
Federal Register / Volume 74, Number 117
Housing and Economic Recovery Act, 2008
Revision to the Neighborhood Stabilization Program (NSP)

**Louisiana Office of Community Development,
Division of Administration
Louisiana Housing Finance Agency**

Action Plan Amendment No. 1 – *Purchase Discount*

Effective Date of Bridge Notice: June 19, 2009

No Public Comments Needed - Minor Change



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Action Plan Amendment No. 1

Introduction

This amendment replaces a specific activity requirement previously published in the Substantial Amendment to the 2008 Annual Action Plan of the 2005-2009 Louisiana Consolidated Plan for the Neighborhood Stabilization Program. This Amendment replaces language in the Homeownership and Rental Development section under specific activity requirements and in Land Banking Assistance under activity description. It is to be considered current policy for the Neighborhood Stabilization Program.

Background

Section 2301(d)(1) limits the purchase price of a foreclosed home, as follows: “Any purchase of a foreclosed upon home or residential property under this section shall be at a discount from the current market appraised value of the home or property, taking into account its current condition, and such discount shall ensure that purchasers are paying below-market value for the home or property.”

To ensure that uncertainty over the meaning of this section does not delay program implementation, HUD is defining “current market appraised value” in this notice. In recognition of the statutory discount requirement, HUD is requiring a minimum discount of 1 percent for each residential property purchased with NSP funds. Grantees are nonetheless encouraged to negotiate with lenders to obtain price reductions commensurate with the avoided costs of holding, marketing and selling the homes.

Requirements

1. Each foreclosed-upon home or residential property shall be purchased at a discount of at least 1 percent from the current market-appraised value of the home or property.
2. An NSP grantee may not provide NSP funds to another party to finance an acquisition of tax foreclosed (or any other) properties from itself, other than to pay necessary and reasonable costs related to the appraisal and transfer of title. If NSP funds are used to pay such costs when property owned by the grantee is conveyed to a subrecipient, homebuyer, developer, or other jurisdiction, the property is NSP assisted and subject to all program requirements, such as requirements for NSP-eligible use and benefit to income-qualified persons.
3. The address, appraised value, purchase offer amount, and discount amount of each property purchase must be documented in the grantee’s program records. D. As noted in the discussion of the NSP purchase discount requirements, section 2301(d)(1) of HERA requires that the purchase price of a foreclosed upon home or residential property must reflect a discount from the current market appraised value of the property. The October 6, 2008, notice defined “current market appraised value” to mean the value of the property established through an appraisal made in conformity with URA appraisal requirements. HUD has determined that compliance with URA

appraisal requirements is unnecessarily burdensome if the anticipated value of the proposed acquisition is estimated at \$25,000 or less and the acquisition is voluntary.

Consequently, if the grantee determines that the anticipated value of the proposed acquisition is estimated at \$25,000 or less and the acquisition is voluntary, the current market appraised value of the property may be established by a valuation of the property that is based on a review of available data and is made by a person qualified to make the valuation. The definition of “current market appraised value” on page 58331, third column, of the October 6, 2008 notice is revised to read as follows:

Current market appraised value. The current market appraised value means the value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer, or individual homebuyer; provided, however, if the anticipated value of the proposed acquisition is estimated at \$25,000 or less, the current market appraised value of the property may be established by a valuation of the property that is based on a review of available data and is made by a person the grantee determines is qualified to make the valuation.