



## Neighborhood Stabilization Program Reallocation Process Changes Notice Summary

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On August 23, 2010, HUD released the Notice of Neighborhood Stabilization Program (NSP) Reallocation Process Changes. The Notice describes the corrective actions, recapture process, reallocation formula, and waivers of regulations affecting grantees that fail to meet the 18-month deadline for obligating the first round of NSP funds (NSP1). This Notice amends the October 6, 2008 NSP1 Notice. Below is a summary; please refer to the full Notice for more details:

[http://hudnsphelp.info/media/resources/5435-N-01\\_NSPI\\_18MonthNotice\\_08-23-2010.pdf](http://hudnsphelp.info/media/resources/5435-N-01_NSPI_18MonthNotice_08-23-2010.pdf)

- HUD will block a grantee's ability to obligate funds in the Disaster Recovery Grant Reporting System (DRGR) on the first day after the 18-month deadline. Grantees will then have 30 days to submit information to HUD demonstrating additional obligations that occurred on or before the 18-month deadline but were not recorded in DRGR.
- Grantees that fail to obligate all funds by the deadline will face a choice of a) entering into a memorandum of agreement (MOA) with HUD or b) recapturing of unobligated amounts.
  - Based on the grantee's NSP1 performance, HUD may enter into a MOA to improve the grantees performance and enable use of the funds for the original purposes. HUD may impose a range of corrective actions upon grantees in the MOA. Some low capacity grantees may be required to acquire stronger program partners and/or accept targeted technical assistance.
  - Grantees that fail to obligate 25% of funds for low-income households must either adjust the remaining NSP1 planned activities to meet this requirement, or make a firm commitment to provide such housing with nonfederal funds.
  - If HUD recaptures funds, the administration limitation (10%) will still apply to the remaining grant amount, thus reducing the amount available for administration activities.
- States with unused funds will be subject to a recapture of up to \$19.6 million. This is because the NSP1 allocation formula provided \$19.6 million to each state regardless of need.
  - States that have unused funds up to \$19.6 million will have their funds recaptured and reallocated to higher need locations based on a needs-based formula.
  - States with unused funds in excess of \$19.6 million may enter into a MOA as described above to use the remaining funds.
- The Notice establishes a reallocation formula for recaptured NSP1 funds. The formula will grant funds to communities with the most current need and may take into account prior allocations of NSP1 and NSP2 already serving those communities.
- HUD will reallocate recaptured funds by formula and will announce the reallocation amounts after completing the recapture process from states. A grantee receiving a reallocation must apply in accordance with the NSP1 Notice.
  - HUD encourages localities to consider their administrative capacity before applying, and will require some grantees to complete an assessment before receiving funds.
  - HUD will allow joint requests among contiguous entitlement communities, and between an entitlement community and a state.
  - HUD will require some low capacity grantees to partner with higher capacity entities and/or accept HUD technical assistance.
  - Grantees receiving reallocated funds must comply with the 18-month use requirement.