



**U.S. Department of Housing and
Urban Development**
Region X Portland Field Office
Community Planning & Development Division

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May 15, 2012

Shelley Wallace
Idaho Housing & Finance Association
Neighborhood Stabilization Program
Project Coordinator/Team Leader
565 W Myrtle Street
P.O. Box 7899
Boise, Idaho 83707-1899

Dear Ms. Wallace

SUBJECT: Neighborhood Stabilization Program (NSP) Revisions to the Substantial Amendment for Grant Number: B-08-DN-16-0001

The revisions to your NSP1 substantial amendment submitted 5/03/12 have been reviewed and approved. Sections amended included:

C. DEFINITIONS AND DESCRIPTIONS

- Definition of Affordable Rents
- How the grantee will ensure affordability
- Housing Rehab Standards

G. NSP INFORMATION BY ACTIVITY

- Budget reduction of Foreclosed Vacant Lot Acquisition & New Construction Activity
- Acquisition/Rehabilitation and Resale-Homebuyers
- Acquisition/Rehabilitation, for Homebuyer Activity
- Shared Appreciation Loan Program
- Acquisition/Rehabilitation-Rental
- Foreclosed/Abandoned/Blighted Vacant Lot Acquisition & New Construction
- Redevelopment of demolished or vacant properties

Please remember to modify your NSP1 Action Plan in DRGR to reflect these current changes. If you have any questions, please do not hesitate to contact Kristen Arnold, CPD Representative, at 971-222-2667 or via email: Kristen.M.Arnold@hud.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "DCarlson", written over a white background.

Doug Carlson, Director
Community Planning and Development

www.hud.gov/oregon
www.hud.gov/idaho

THE STATE OF IDAHO'S NEIGHBORHOOD STABILIZATION PROGRAM SUBSTANTIAL AMENDMENT dated 12/1/2008 and revised 1/21/2009 is hereby amended to read as follows:

Page 6:

C. DEFINITIONS AND DESCRIPTIONS

(2) Definition of "affordable rents" Response AND (3) Describe how the grantee will ensure continued affordability for NSP assisted housing Response is hereby deleted and amended to read as follows:

When implementing NSP eligible Activity B, Acquisition/Rehabilitation, for Rental Activity, by either a Subrecipient or Developer, the GRANTEE shall ensure the affordability period by the execution of a "Memorandum of Restrictive Covenants and Regulatory Agreement" that is recorded in public records with the applicable county. The NSP Assisted Units shall remain affordable, for not less than the Minimum Period of Affordability, as defined below, without regard to the term of any mortgage lien on the Property or any transfer of ownership. All rental properties will also be secured by a first position, Deed of Trust that is recorded against the assisted rental property. The Deed of Trust shall be evidenced by a Note with zero percent interest, no monthly payments due, that is due and payable on sale, transfer, failure to comply with NSP regulations or conditions of the Note and Deed of Trust.

| | |
|---|--|
| Rental Housing Activity Assistance Amounts: | Minimum Period of Affordability in years: |
| Rehabilitation or acquisition of existing housing per unit amount of NSP funds: | |

| | |
|--|----|
| Under \$15,000 | 5 |
| \$15,000 to \$40,000 | 10 |
| Over \$40,000 or rehabilitation involving refinancing | 15 |
| New construction or acquisition of newly constructed housing | 20 |

The NSP Assisted properties shall bear maximum rents as follows:

- a. Very Low HOME rents established by HUD HOME regulations for persons at or below 50% Area Median Income adjusted for family size.

In determining the maximum monthly rent that may be charged for the property is subject to this limitation, Subrecipient or Developer must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant.

The NSP Assisted properties shall be occupied only by households that qualify as Very Low-Income families, defined as households with incomes no greater than 50% of Area Median Income, adjusted for family size, as published from time to time by HUD. Subrecipient or Developer must verify income, assets, and all eligibility requirements prior to move-in. Calculation of household's annual income in accordance with 24 CFR 5.609. Tenant incomes must be certified as meeting the applicable income limits at initial occupancy and at any time a new tenant occupies a unit. Existing tenants are not required to recertify their incomes annually.

Page 7:

C. DEFINITIONS AND DESCRIPTIONS

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities Response is hereby deleted and amended to read as follows:

Rehabilitation Standards:

A foreclosed-upon home or residential property shall be rehabilitated to the extent necessary to ensure safety, quality, and habitability. IHFA will require a thorough assessment of all properties. The assessment must examine the major building components and describe the work necessary to bring each building component to the level of maximum expected life span. HUD's Housing Quality Standards (HQS) outlined in 24 CFR 982.401, will be the minimum standard for judging the actual physical condition of a property and determining the scope of work.

Rehabilitation of a residential property must be performed in compliance with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability. If work requires building permits, all rehabilitation must be performed to current building code(s). A property inspection must be conducted by a disinterested third party to determine the scope of work needed prior to rehabilitation. The factors to be considered in the inspection include HQS and a site specific review of environmental concerns including lead-based paint assessment if the property was built prior to 1978.

General property improvements, such as painting and replacement of cabinets and flooring must have durable fit and finish with reasonable cost expectations.

All NSP recipients are encouraged to use green building techniques and make all NSP assisted properties more energy efficient.

Due to the recent EPA Lead Based Paint Final Rule and the lack of certified contractors available to perform rehabilitation in homes where lead is present, it has been decided that pre-1978 homes will not be eligible under Idaho's NSP program unless a waiver is granted. Waivers to this rule may be allowed if a Declarants proposal can demonstrate that their area of greatest need is primarily pre-1978 homes and must document that a certified LBP contractor is a partner in their application process. A waiver may also be obtained if the applicant can demonstrate the above need and will agree to lead paint testing of all pre-1978 homes and only move forward with those that test negative. If lead is abated, lead clearance is to be performed by a certified lead clearance professional. The results of the inspection(s) are to be documented in writing.

Page 13:

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY) is hereby amended to read as follows:

| | |
|--|--------------|
| Acquisition/Rehabilitation and Resale – Homebuyer | \$12,348,000 |
| Foreclosed Vacant Lot Acquisition & New Construction | \$0.00 |

Note: The funds that were originally allocated to the Foreclosed Vacant Lot Acquisition & New Construction have been re-allocated to Acquisition/Rehabilitation and Resale-Homebuyer to meet current demands. IHFA retains the right to re-allocate and re-direct funds according to the current market conditions to include, but not limited to, the aforementioned Eligible Activities, within the Substantial Amendment.

No other changes to page 13 were necessary.

G. NSP INFORMATION BY ACTIVITY for Acquisition/Rehabilitation and Resale-Homebuyers

(4) Activity Description (response to Paragraph 1) is hereby deleted and amended to read as follows:

When implementing NSP Eligible Activity A, Financing Mechanism for direct homeownership assistance to the homebuyer, entitled Homeownership Assistance and defined as a "homebuyer subsidy", GRANTEE shall utilize the Recapture method of affordability. GRANTEE shall offer Homeownership Assistance that can be used towards Principal Write Downs and/or Interest Write Downs and/or Closing Costs. The required legal mechanism for ensuring the Period of Affordability will be met by securing a second position, Deed of Trust that is recorded against the assisted property. The Deed of Trust shall be evidenced by a Note with zero percent interest, no monthly payments due, that is due on payable on sale, transfer, or failure to comply with conditions of the Note and Deed of Trust. The maximum amount of Homeownership Assistance that can be offered to the homebuyer is 20% of the Sales Price or a maximum of \$40,000.00, whichever is less. GRANTEE reserves the right to lower the maximum Homeownership Assistance available and implement additional homebuyer restrictions based on future program analysis. The Homeownership Assistance amount is based on the homebuyer's underwritten "need". Therefore, the amount of final approval is determined by the IHFA/NSP Grant Program staff. The total amount of homebuyer subsidy determines the length of time the property must remain affordable. GRANTEE will enforce this time period based on these set amounts:

Minimum Period of Affordability in years:

| Assistance Amounts: | Minimum Period of Affordability in years: |
|----------------------|---|
| Under \$15,000 | 5 |
| \$15,000 to \$40,000 | 10 |
| Over \$40,000 | 15 |

Calculation of household's annual income will be in accordance with 24 CFR 5.609. The NSP assisted property must remain occupied by the assisted family for the designated Period of Affordability. Whenever the property does not continue to be the principal residence of the family for the duration of the Period of Affordability, or if the recapture requirement is triggered by the sale (voluntary or involuntary) or if default occurs hereunder, the entire principal sum and accrued interest shall immediately become due and payable without notice. Homebuyer is also required to immediately notify the GRANTEE in writing of any sale (voluntary or involuntary). If the Recapture requirement is triggered by the sale (voluntary or involuntary) of the property, and there are no net proceeds or the net proceeds are insufficient to repay the entire homebuyer subsidy amount, the GRANTEE may only recapture the net proceeds, if any. NSP affordability requirements will end upon recapture of the homebuyer subsidy. However, the Period of Affordability will not be terminated as a result of early pay off of the loan unless it is in conjunction with the sale (voluntary or involuntary) or transfer of the subject property. Yearly occupancy compliance monitoring, only during the Minimum Period of Affordability in years, will be conducted by GRANTEE to ensure that the home is still the homebuyer's primary residence.

When implementing NSP eligible Activity B, Acquisition/Rehabilitation, for Homebuyer Activity, by either a Subrecipient or Developer, the GRANTEE shall utilize the Recapture method of affordability by offering homeownership assistance to the homebuyer, entitled Homeownership Assistance and defined as a "homebuyer subsidy". Homeownership Assistance can be used towards Principal Write Downs

and/or Interest Write Downs and or Closing Costs. The required legal mechanism for ensuring the Period of Affordability will be met by securing a second position, Deed of Trust that is recorded against the assisted property. The Deed of Trust shall be evidenced by a Note with zero percent interest, no monthly payments due, that is due on payable on sale, transfer, or failure to comply with conditions of the Note and Deed of Trust. The maximum amount of Homeownership Assistance that can be offered to the homebuyer is 20% of the Sales Price or a maximum of \$40,000.00, whichever is less. GRANTEE reserves the right to lower the maximum Homeownership Assistance available and implement additional homebuyer restrictions based on future program analysis. The Homeownership Assistance amount is based on the homebuyer's underwritten "need". Therefore, the amount of final approval is determined by the IHFA/NSP Grant Program staff. The total amount of homebuyer subsidy determines the length of time the property must remain affordable. GRANTEE will enforce this time period based on these set amounts:

Minimum Period of Affordability in years:

| Assistance Amounts: | Minimum Period of Affordability in years: |
|----------------------|---|
| Under \$15,000 | 5 |
| \$15,000 to \$40,000 | 10 |
| Over \$40,000 | 15 |

Calculation of household's annual income will be in accordance with 24 CFR 5.609. The NSP assisted property must remain occupied by the assisted family for the designated Period of Affordability. Whenever the property does not continue to be the principal residence of the family for the duration of the Period of Affordability, or if the recapture requirement is triggered by the sale (voluntary or involuntary) or if default occurs hereunder, the entire principal sum and accrued interest shall immediately become due and payable without notice. Homebuyer is also required to immediately notify the GRANTEE in writing of any sale (voluntary or involuntary). If the Recapture requirement is triggered by the sale (voluntary or involuntary) of the property, and there are no net proceeds or the net proceeds are insufficient to repay the entire homebuyer subsidy amount, the GRANTEE may only recapture the net proceeds, if any. NSP affordability requirements will end upon recapture of the homebuyer subsidy. However, the Period of Affordability will not be terminated as a result of early pay off of the loan unless it is in conjunction with the sale (voluntary or involuntary) or transfer of the subject property. Yearly occupancy compliance monitoring, only during the Minimum Period of Affordability in years, will be conducted by GRANTEE to ensure that the home is still the homebuyer's primary residence.

Page(s) 15/16/17:

NSP INFORMATION BY ACTIVITY for Acquisition/Rehabilitation and Resale-Homebuyers

(4) Activity Description (response to Paragraph 3) is hereby deleted and amended to read as follows:

These loans will be evidenced by one or more agreements designed to ensure that the eligible entity complies with the discount rate and performs any necessary renovations to bring each home up to Housing Quality Standards within a reasonable timeframe. In addition, the agreements will ensure that the Declarant markets the homes within affirmative marketing guidelines, requires the buyer to qualify for the NSP Homeownership Assistance, meet the required AMI limitation per the specific property and require the buyer to attend an 8 hour Classroom FinallyHome! Homebuyer Education counseling program and receive a certificate of confirmation before obtaining a mortgage loan.

Page(s) 15/16/17:

G. NSP INFORMATION BY ACTIVITY for Acquisition/Rehabilitation and Resale-Homebuyers

(4) Activity Description (response to Paragraph 5), Shared Appreciation Loan Program is hereby deleted and amended to read as follows:

Neighborhood Stabilization Program Homeownership Assistance - The Declarant sells each home for an amount not to exceed the cost of acquisition and all eligible costs associated with the acquisition, re-sale and rehabilitation of the home. The entity then repays IHFA with the sales proceeds. IHFA will then provide an NSP 2nd mortgage loan entitled NSP Homeownership Assistance. Homeownership Assistance can be used towards Principal Write Downs and/or Interest Write Downs and or Closing Costs. The required legal mechanism for ensuring the Period of Affordability will be met by securing a second position, Deed of Trust that is recorded against the assisted property. The Deed of Trust shall be evidenced by a Note with zero percent interest, no monthly payments due, that is due on payable on sale, transfer, or failure to comply with conditions of the Note and Deed of Trust. The maximum amount of Homeownership Assistance that can be offered to the homebuyer is 20% of the Sales Price or a maximum of \$40,000.00, whichever is less. GRANTEE reserves the right to lower the maximum Homeownership Assistance available and implement additional homebuyer restrictions based on future program analysis. The Homeownership Assistance amount is based on the homebuyer's underwritten "need". Therefore, the amount of final approval is determined by the IHFA/NSP Grant Program staff.

All funds recaptured at the time of resale of assisted properties will be treated as program income and reinvested in Idaho's NSP funding pool until such time, if any, that NSP funds must be repaid to HUD.

Eligible buyers should be encouraged to utilize IdaMortgage loan products through IHFA or products offered through IHFA-approved lenders in order to discourage sub prime lending.

Page(s) 17:

G. NSP INFORMATION BY ACTIVITY for Acquisition/Rehabilitation and Resale-Homebuyers

(8) Responsible Organization is hereby deleted and amended to read as follows:

Idaho Housing & Finance Association will be the lead entity to implement NSP activity. Administrator: IHFA, 565 W. Myrtle Street, Boise, Idaho 83702, 1-208-331-4881 or 1-877-447-2687.

Page(s) 18:

G. NSP INFORMATION BY ACTIVITY for Acquisition/Rehabilitation and Resale-Homebuyers

(11) Specific Activity Requirements is hereby deleted and amended to read as follows:

All properties acquired using NSP funds must be purchased at least 1% below the current appraised value.

All homebuyer activity income, with the exception of Habitat For Humanity, will be calculated based on the household's annual gross income in accordance with 24 CFR 5.609. All homebuyer activity income in conjunction with Habitat for Humanity will be calculated based on household's annual Adjusted Gross Income as reported on their IRS 1040 tax form.

To help meet the 25% set aside requirement, a portion of the homebuyer activity will serve households whose income is at or below 50% AMI and all of Habitat For Humanity activity will serve households whose income is at or below 50% AMI.

Whenever the property does not continue to be the principal residence of the family for the duration of the Period of Affordability, or if the recapture requirement is triggered by the sale (voluntary or involuntary) or if default occurs hereunder, the entire principal sum and accrued interest shall immediately become due and payable without notice. Homebuyer is also required to immediately notify the GRANTEE in writing of any sale (voluntary or involuntary). If the Recapture requirement is triggered by the sale (voluntary or involuntary) of the property, and there are no net proceeds or the net proceeds are insufficient to repay the entire homebuyer subsidy amount, the GRANTEE may only recapture the net proceeds, if any. NSP affordability requirements will end upon recapture of the homebuyer subsidy. However, the Period of Affordability will not be terminated as a result of early pay off of the loan unless it is in conjunction with the sale (voluntary or involuntary) or transfer of the subject property. Yearly occupancy compliance monitoring, only during the Minimum Period of Affordability in years, will be conducted by GRANTEE to ensure that the home is still the homebuyer's primary residence.

As stated, all principal and interest payments are hereby deferred until an event of default occurs or transfer of property without prior consent. If default occurs hereunder, the entire principal sum and accrued interest shall immediately become due and payable without notice, at the option of the holder of this Note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any continuing or subsequent default. In the event of default in the payment of this Note, and if same is submitted for collection by IHFA, its successors and assigns, the undersigned agree(s) to pay all costs of collection, including reasonable attorney's fees. Borrower may prepay the principal outstanding hereunder, plus accrued interest thereon, if any, in whole or in part at any time without premium or penalty.

Page(s) 19/20:

G. NSP INFORMATION BY ACTIVITY for Acquisition/Rehabilitation-Rental

(4) Activity Description (response to Paragraph 1) is hereby deleted and amended to read as follows:

The purpose of the Acquisition/Rehabilitation-Rental activity is to provide units of local government, tribes and/or local housing nonprofits the opportunity to expand their existing supply of special needs housing within their jurisdictions by purchasing foreclosed or abandoned residential properties. This activity will serve households that qualify as Very Low-Income families, defined as households with incomes no greater than 50% of Area Median Income, adjusted for family size, as published from time to time by HUD. NSP funds can be used to purchase the property and then bring the property up to set quality standards through rehabilitation, if needed. The maximum purchase price of the foreclosed property must be at least 1% below the current appraised value. The maximum amount financed will not exceed all eligible costs associated with the acquisition, re-sale and rehabilitation of the home.

When implementing NSP eligible Activity B, Acquisition/Rehabilitation, for Rental Activity, by either a Subrecipient or Developer, the GRANTEE shall ensure the affordability period by the execution of a "Memorandum of Restrictive Covenants and Regulatory Agreement" that is recorded in public records with the applicable county. The NSP Assisted Units shall remain affordable, for not less than the Minimum Period of Affordability, as defined below, without regard to the term of any mortgage lien on the Property or any transfer of ownership. All rental properties will also be secured by a first position,

Deed of Trust that is recorded against the assisted rental property. The Deed of Trust shall be evidenced by a Note with zero percent interest, no monthly payments due, that is due and payable on sale, transfer, failure to comply with NSP regulations or conditions of the Note and Deed of Trust.

Minimum Period of Affordability in years:

Assistance Amounts for Rehabilitation or acquisition of existing housing
per unit amount of NSP funds:

| Assistance Amounts: | Minimum Period of Affordability in years: |
|--|---|
| Under \$15,000 | 5 |
| \$15,000 to \$40,000 | 10 |
| Over \$40,000 or rehabilitation involving refinancing | 15 |
| New construction or acquisition of newly constructed housing | 20 |

The NSP Assisted properties shall bear maximum rents as follows:

- a. Very Low HOME rents established by HUD HOME regulations for persons at or below 50% Area Median Income adjusted for family size.

In determining the maximum monthly rent that may be charged for the property is subject to this limitation, Subrecipient or Developer must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant.

The NSP Assisted properties shall be occupied only by households that qualify as Very Low-Income families, defined as households with incomes no greater than 50% of Area Median Income, adjusted for family size, as published from time to time by HUD. Subrecipient or Developer must verify income, assets, and all eligibility requirements prior to move-in. Calculation of household's annual income in accordance with 24 CFR 5.609. Tenant incomes must be certified as meeting the applicable income limits at initial occupancy and at any time a new tenant occupies a unit. Existing tenants are not required to recertify their incomes annually.

NSP funds will be subject to the current HUD requirements regarding NSP program continuance and close out requirements. All funds under this activity must be committed within 18 months of the NSP start date.

All properties assisted must undergo a HUD environmental review before any NSP funds can be used to assist the property. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, the Fair Housing Act, Title VI of the Civil Rights Act of 1964, and the EPA Lead Based Paint Final Rule (if waiver obtained for pre-1978 homes) will apply.

Page(s) 20:

G. NSP INFORMATION BY ACTIVITY for Acquisition/Rehabilitation-Rental

(8) Responsible Organization is hereby deleted and amended to read as follows:

Idaho Housing & Finance Association will be the lead entity to implement NSP activity. Idaho Housing & Finance Association will be the lead entity to implement NSP activity. Administrator: IHFA, 565 W. Myrtle Street, Boise, Idaho 83702, 1-208-331-4881 or 1-877-447-2687.

Page 21:

G. NSP INFORMATION BY ACTIVITY for Acquisition/Rehabilitation-Rental

(11) Specific Activity Requirements is hereby deleted and amended to read as indicated previously in section **G. NSP INFORMATION BY ACTIVITY for Acquisition/Rehabilitation-Rental (4) Activity Description** mentioned above.

If default occurs hereunder, the entire principal sum and accrued interest shall immediately become due and payable without notice, at the option of the holder of this Note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any continuing or subsequent default. In the event of default in the payment of this Note, and if same is submitted for collection by IHFA, its successors and assigns, the undersigned agree(s) to pay all costs of collection, including reasonable attorney's fees. Borrower may prepay the principal outstanding hereunder, plus accrued interest thereon, if any, in whole or in part at any time without premium or penalty.

Page 24:

G. NSP INFORMATION BY ACTIVITY for Foreclosed/Abandoned/Blighted Vacant Lot Acquisition & New Construction

(8) Responsible Organization is hereby deleted and amended to read as follows:

Idaho Housing & Finance Association will be the lead entity to implement NSP activity. Idaho Housing & Finance Association will be the lead entity to implement NSP activity. Administrator: IHFA, 565 W. Myrtle Street, Boise, Idaho 83702, 1-208-331-4881 or 1-877-447-2687.

Page 24:

G. NSP INFORMATION BY ACTIVITY for Foreclosed/Abandoned/Blighted Vacant Lot Acquisition & New Construction

(11) Specific Activity Requirements is hereby deleted and amended to read as follows:

All properties acquired using NSP funds must be purchased at least 1% below the current appraised value.

Acquisition/rehab NSP funds to Declarant for long term rental use will be at the rate of ZERO PERCENT (0%) per annum in the form of a due on sale loan whether rental or homebuyer. All funds recaptured at the time of resale of assisted properties will be treated as program income and reinvested in Idaho's NSP funding pool until such time, if any, that NSP funds must be repaid to HUD.

Duration will be established as follows:

As stated, all principal and interest payments are hereby deferred until an event of default occurs or transfer of property without prior consent. If default occurs hereunder, the entire principal sum and accrued interest shall immediately become due and payable without notice, at the option of the holder of this Note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same

in the event of any continuing or subsequent default. In the event of default in the payment of this Note, and if same is submitted for collection by IHFA, its successors and assigns, the undersigned agree(s) to pay all costs of collection, including reasonable attorney's fees. Borrower may prepay the principal outstanding hereunder, plus accrued interest thereon, if any, in whole or in part at any time without premium or penalty. Tenure will benefit both rental and homebuyer households.

Long term affordability will be established through compliance monitoring requirements.

When implementing NSP eligible Activity B, Acquisition/Rehabilitation, for Homebuyer Activity, by either a Subrecipient or Developer, the GRANTEE shall utilize the Recapture method of affordability by offering homeownership assistance to the homebuyer, entitled Homeownership Assistance and defined as a "homebuyer subsidy". Homeownership Assistance can be used towards Principal Write Downs and/or Interest Write Downs and or Closing Costs. The required legal mechanism for ensuring the Period of Affordability will be met by securing a second position, Deed of Trust that is recorded against the assisted property. The Deed of Trust shall be evidenced by a Note with zero percent interest, no monthly payments due, that is due on payable on sale, transfer, or failure to comply with conditions of the Note and Deed of Trust. The maximum amount of Homeownership Assistance that can be offered to the homebuyer is 20% of the Sales Price or a maximum of \$40,000.00, whichever is less. GRANTEE reserves the right to lower the maximum Homeownership Assistance available and implement additional homebuyer restrictions based on future program analysis. The Homeownership Assistance amount is based on the homebuyer's underwritten "need". Therefore, the amount of final approval is determined by the IHFA/NSP Grant Program staff. The total amount of homebuyer subsidy determines the length of time the property must remain affordable. GRANTEE will enforce this time period based on these set amounts:

Minimum Period of Affordability in years:

| Assistance Amounts: | Minimum Period of Affordability in years: |
|----------------------|---|
| Under \$15,000 | 5 |
| \$15,000 to \$40,000 | 10 |
| Over \$40,000 | 15 |

Calculation of household's annual income will be in accordance with 24 CFR 5.609. The NSP assisted property must remain occupied by the assisted family for the designated Period of Affordability. Whenever the property does not continue to be the principal residence of the family for the duration of the Period of Affordability, or if the recapture requirement is triggered by the sale (voluntary or involuntary) or if default occurs hereunder, the entire principal sum and accrued interest shall immediately become due and payable without notice. Homebuyer is also required to immediately notify the GRANTEE in writing of any sale (voluntary or involuntary). If the Recapture requirement is triggered by the sale (voluntary or involuntary) of the property, and there are no net proceeds or the net proceeds are insufficient to repay the entire homebuyer subsidy amount, the GRANTEE may only recapture the net proceeds, if any. NSP affordability requirements will end upon recapture of the homebuyer subsidy. However, the Period of Affordability will not be terminated as a result of early pay off of the loan unless it is in conjunction with the sale (voluntary or involuntary) or transfer of the subject property. Yearly occupancy compliance monitoring, only during the Minimum Period of Affordability in years, will be conducted by GRANTEE to ensure that the home is still the homebuyer's primary residence.

When implementing NSP eligible Activity B, Acquisition/Rehabilitation, for Rental Activity, by either a Subrecipient or Developer, the GRANTEE shall ensure the affordability period by the execution of a "Memorandum of Restrictive Covenants and Regulatory Agreement" that is recorded in public records with the applicable county. The NSP Assisted Units shall remain affordable, for not less than the Minimum Period of Affordability, as defined below, without regard to the term of any mortgage lien on the Property or any transfer of ownership. All rental properties will also be secured by a first position, Deed of Trust that is recorded against the assisted rental property. The Deed of Trust shall be evidenced by a Note with zero percent interest, no monthly payments due, that is due and payable on sale, transfer, failure to comply with NSP regulations or conditions of the Note and Deed of Trust.

Minimum Period of Affordability in years:

Assistance Amounts for Rehabilitation or acquisition of existing housing
per unit amount of NSP funds:

| Assistance Amounts: | Minimum Period of Affordability in years: |
|--|---|
| Under \$15,000 | 5 |
| \$15,000 to \$40,000 | 10 |
| Over \$40,000 or rehabilitation involving refinancing | 15 |
| New construction or acquisition of newly constructed housing | 20 |

The NSP Assisted properties shall bear maximum rents as follows:

- a. Very Low HOME rents established by HUD HOME regulations for persons at or below 50% Area Median Income adjusted for family size.

In determining the maximum monthly rent that may be charged for the property is subject to this limitation, Subrecipient or Developer must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant.

The NSP Assisted properties shall be occupied only by households that qualify as Very Low-Income families, defined as households with incomes no greater than 50% of Area Median Income, adjusted for family size, as published from time to time by HUD. Subrecipient or Developer must verify income, assets, and all eligibility requirements prior to move-in. Calculation of household's annual income in accordance with 24 CFR 5.609. Tenant incomes must be certified as meeting the applicable income limits at initial occupancy and at any time a new tenant occupies a unit. Existing tenants are not required to recertify their incomes annually.

Page 25: (the following to be added)

G. NSP INFORMATION BY ACTIVITY for Redevelopment is hereby added to read as follows:

For —demolished or vacant properties :

This Eligible Use allows communities to address the broadest range of property types. Because the legislation does not limit this use to homes and/or residential properties, HUD will permit grantees to

acquire and redevelop ANY property type. This includes commercial or industrial property in addition to all types of residential property. Note that property acquired under Redevelopment need not be abandoned or foreclosed upon.

However, it MUST be vacant. —Vacant properties includes both vacant land and properties with vacant structures on the land. However, HUD understands redevelopment to imply that properties were once developed or are surrounded by existing development. Therefore undeveloped or —greenfield sites, at the edge of development, may not be acquired under Eligible Use E. Previously undeveloped in-fill sites are generally eligible.

HUD expects that, unlike land banks, properties acquired and improved under Eligible Use E must proceed expeditiously to construction. Properties that are eligible to be land banked with unknown end uses, or for which the end use is not imminent, should be considered for Land Banks (assuming that they have been foreclosed upon). Some corollary considerations also merit discussion, which follows the next section on housing for very low-income persons.

The NSP1 Bridge Notice did not apply the Recovery Act's limitation on redevelopment to housing activities. Therefore, NSP1 funds may still be used for public facilities and area benefit economic development projects.