

NSP TERMINATION ACT

MARCH 11, 2011.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BACHUS, from the Committee on Financial Services,
submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 861]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 861) to rescind the third round of funding for the Neighborhood Stabilization Program and to terminate the program, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “NSP Termination Act”.

SEC. 2. RESCISSION OF \$1 BILLION FUNDING FOR 3RD ROUND OF NEIGHBORHOOD STABILIZATION PROGRAM.

Effective on the date of the enactment of this Act, there are rescinded and permanently canceled all unobligated balances remaining available as of such date of enactment of the amounts made available by section 1497(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203; 124 Stat. 2209; 42 U.S.C. 5301 note).

SEC. 3. TERMINATION OF NEIGHBORHOOD STABILIZATION PROGRAM.

(a) **REPEAL.**—Sections 2301 through 2303 of the Housing and Economic Recovery Act of 2008 (Public Law 110-289; 122 Stat. 2850; 42 U.S.C. 5301 note) are hereby repealed.

(b) **TREATMENT OF REMAINING FUNDS.**—

(1) **SAVINGS CLAUSE.**—Notwithstanding the repeal under subsection (a), any amounts made available under the provisions specified in paragraph (2) of this subsection shall continue to be governed by any provisions of law applicable to such amounts as in effect immediately before such repeal.

(2) REMAINING FUNDS.—The provisions specified in this paragraph are as follows:

(A) Section 2301(a) of the Housing and Economic Recovery Act of 2008 (Public Law 110–289; 122 Stat. 2850; 42 U.S.C. 5301 note).

(B) The second undesignated paragraph under the heading “Department of Housing and Urban Development, Community Planning and Development, Community Development Fund” in title XII of division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5, 123 Stat. 217).

(c) TERMINATION.—Upon the obligation of all amounts made available under the provisions specified in subsection (b)(2), and outlays to liquidate all such amounts, the Secretary of Housing and Urban Development shall terminate the Neighborhood Stabilization Program authorized under the provisions specified in subsections (a) and (b)(2).

SEC. 4. PUBLICATION OF MEMBER AVAILABILITY FOR ASSISTANCE.

Not later than 5 days after the date of the enactment of this Act, the Secretary of Housing and Urban Development shall publish to its Website on the World Wide Web in a prominent location, large point font, and boldface type the following statement: “The Neighborhood Stabilization Program (NSP) has been terminated. If you are concerned about the impact of foreclosed properties on your community, please contact your Member of Congress, State, county, and local officials for assistance in mitigating the impacts of foreclosed properties on your community.”.

PURPOSE AND SUMMARY

H.R. 861, The NSP Termination Act, would rescind all unobligated balances made available for the Neighborhood Stabilization Program (NSP) authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111–203; 124 Stat. 2209; 42 U.S.C. 5301 note) and terminate the program.

BACKGROUND AND NEED FOR LEGISLATION

H.R. 861 was introduced by Rep. Gary G. Miller to terminate the Neighborhood Stabilization Program. Congress has appropriated approximately \$7 billion in three rounds of funding for the Neighborhood Stabilization Program: \$4 billion in initial funding on July 30, 2008 (NSP1); \$2 billion in additional funding in H.R. 1, The American Recovery and Reinvestment Act of 2009 (NSP2); and \$1 billion in additional funding in the Dodd-Frank Wall Street Reform Act (NSP3).

Eligible uses for funds include emergency assistance to state and local governments to acquire, develop, redevelop, or demolish foreclosed homes. For NSP2 and NSP3, the eligibility requirements also include the establishment of financing mechanisms to purchase foreclosed homes, the purchase and rehabilitation of abandoned or foreclosed homes, land banking of foreclosed homes, demolition of blighted structures, and redevelopment of vacant or demolished property. NSP1 funding priority was given to cities, urban areas, rural areas, and low- and moderate-income areas. Additional consideration was given to communities with the greatest percentage of foreclosures, highest percentage of homes financed by subprime mortgage loans, or those identified by the state or local government as most likely to face a significant rise in the rate of home foreclosures. NSP2 was allocated through a competitive grant program, with the grant recipients primarily being local and state governments as well as non-profit entities.

Many have questioned HUD’s ability to properly monitor the use of such extraordinary amounts of money being spent at the state level in a number of diverse ways as well as the capacity of non-

profit groups to deploy and use these funds effectively. The Inspector General for HUD has already identified multiple misuses of NSP money at the state level, and GAO has questioned the information systems in place at HUD used to track NSP. Moreover, there has been little proof to show whether NSP has resolved the root causes of the increase in foreclosures—an excess of housing supply and the depreciation of overinflated home prices. In most cases, the NSP continues to extend and further exacerbate the current housing downturn and do more harm than good.

The Neighborhood Stabilization Program represents a costly bailout for the lenders, servicers and real estate speculators who made risky bets on the housing market and will now be able to offload their foreclosed properties onto the government. Such an approach subsidizes bad investments and contributes to moral hazard by signaling to future market participants that their downside risks will be assumed by the government if their investments sour.

HEARING

The Subcommittee on Insurance, Housing, and Community Opportunity held a hearing on March 2, 2011 entitled “Legislative Proposals to End Taxpayer Funding for Ineffective Foreclosure Mitigation Programs.” The following witnesses testified:

- The Honorable Neil M. Barofsky, Special Inspector General for the Troubled Asset Relief Program, Office of the Special Inspector General
- The Honorable David Stevens, Assistant Secretary for Housing and Commissioner of the Federal Housing Administration, Department of Housing and Urban Development
- The Honorable Mercedes M. Márquez, Assistant Secretary, Community Planning and Development, Department of Housing and Urban Development
- Mr. Matthew J. Scirè, Director, Financial Markets and Community Investment, U.S. Government Accountability Office
- Ms. Katie Jones, Analyst in Housing Policy, Congressional Research Service, Library of Congress

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on March 3, 2011 and ordered H.R.861, as amended, favorably reported to the House by a record vote of 31 yeas and 24 nays (Record vote no. FC–15).

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives require the Committee to list the record vote on the motion to report legislation and amendments thereto. A motion by Chairman Bachus to report the bill, as amended to the House with a favorable recommendation was agreed to by a record vote of 31 yeas and 24 nays (Record vote no. FC–15). The names of Members voting for and against follow:

RECORD VOTE NO. FC-15

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Bachus	X			Mr. Frank (MA)			
Mr. Hensarling	X			Ms. Waters		X	
Mr. King (NY)				Mrs. Maloney		X	
Mr. Royce	X			Mr. Gutierrez			
Mr. Lucas	X			Ms. Velázquez		X	
Mr. Paul	X			Mr. Watt			
Mr. Manzullo	X			Mr. Ackerman		X	
Mr. Jones	X			Mr. Sherman		X	
Mrs. Biggert	X			Mr. Meeks		X	
Mr. Gary G. Miller (CA)	X			Mr. Capuana		X	
Mrs. Capito	X			Mr. Hinojosa		X	
Mr. Garrett	X			Mr. Clay		X	
Mr. Neugebauer	X			Mrs. McCarthy (NY)		X	
Mr. McHenry	X			Mr. Baca		X	
Mr. Campbell	X			Mr. Lynch		X	
Mrs. Bachmann	X			Mr. Miller (NC)		X	
Mr. Marchant				Mr. David Scott (GA)		X	
Mr. McCotter	X			Mr. Al Green (TX)		X	
Mr. McCarthy (CA)	X			Mr. Cleaver		X	
Mr. Pearce	X			Ms. Moore		X	
Mr. Posey	X			Mr. Ellison		X	
Mr. Fitzpatrick	X			Mr. Perlmutter		X	
Mr. Westmoreland	X			Mr. Donnelly		X	
Mr. Luetkemeyer	X			Mr. Carson		X	
Mr. Huizenga	X			Mr. Himes		X	
Mr. Duffy	X			Mr. Peters		X	
Ms. Hayworth	X			Mr. Carney		X	
Mr. Renacci	X						
Mr. Hurt	X						
Mr. Dold							
Mr. Schweikert	X						
Mr. Grimm	X						
Mr. Canseco	X						
Mr. Stivers	X						

During consideration of H.R. 861, the following amendments were considered:

1. An amendment offered by Ms. Waters and Mr. Ellison, no. 1, to require the Secretary of Housing and Urban Development to inform NSP recipients of the program termination was not agreed to by a recorded vote of 21 yeas to 26 nays, (Record vote no. FC-13).

RECORD VOTE NO. FC-13

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Bachus		X		Mr. Frank (MA)			
Mr. Hensarling		X		Ms. Waters	X		
Mr. King (NY)				Mrs. Maloney	X		
Mr. Royce		X		Mr. Gutierrez			
Mr. Lucas		X		Ms. Velázquez	X		
Mr. Paul		X		Mr. Watt			
Mr. Manzullo		X		Mr. Ackerman	X		
Mr. Jones		X		Mr. Sherman	X		
Mrs. Biggert		X		Mr. Meeks			
Mr. Gary G. Miller (CA)				Mr. Capuana	X		
Mrs. Capito		X		Mr. Hinojosa	X		
Mr. Garrett		X		Mr. Clay			
Mr. Neugebauer		X		Mrs. McCarthy (NY)	X		
Mr. McHenry		X		Mr. Baca	X		
Mr. Campbell		X		Mr. Lynch	X		
Mrs. Bachmann		X		Mr. Miller (NC)	X		
Mr. Marchant				Mr. David Scott (GA)	X		
Mr. McCotter		X		Mr. Al Green (TX)	X		

RECORD VOTE NO. FC-13—Continued

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. McCarthy (CA)				Mr. Cleaver	X		
Mr. Pearce		X		Ms. Moore	X		
Mr. Posey		X		Mr. Ellison			
Mr. Fitzpatrick		X		Mr. Perlmutter	X		
Mr. Westmoreland		X		Mr. Donnelly	X		
Mr. Luetkemeyer		X		Mr. Carson	X		
Mr. Huizenga		X		Mr. Himes	X		
Mr. Duffy		X		Mr. Peters	X		
Ms. Hayworth		X		Mr. Carney	X		
Mr. Renacci		X					
Mr. Hurt							
Mr. Dold							
Mr. Schweikert							
Mr. Grimm							
Mr. Canseco		X					
Mr. Stivers		X					

2. An amendment offered by Mr. Green, no. 2, requiring the GAO to conduct a study of termination of third round funding of neighborhood stabilization program, was not agreed to by a recorded vote of 24 yeas and 31 nays, (Record vote no. FC-14).

RECORD VOTE NO. FC-14

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Bachus		X		Mr. Frank (MA)			
Mr. Hensarling		X		Ms. Waters	X		
Mr. King (NY)				Mrs. Maloney	X		
Mr. Royce		X		Mr. Gutierrez			
Mr. Lucas		X		Ms. Velázquez	X		
Mr. Paul		X		Mr. Watt			
Mr. Manzullo		X		Mr. Ackerman	X		
Mr. Jones		X		Mr. Sherman	X		
Mrs. Biggert		X		Mr. Meeks	X		
Mr. Gary G. Miller (CA)		X		Mr. Capuana	X		
Mrs. Capito		X		Mr. Hinojosa	X		
Mr. Garrett		X		Mr. Clay	X		
Mr. Neugebauer		X		Mrs. McCarthy (NY)	X		
Mr. McHenry		X		Mr. Baca	X		
Mr. Campbell		X		Mr. Lynch	X		
Mrs. Bachmann		X		Mr. Miller (NC)	X		
Mr. Marchant				Mr. David Scott (GA)	X		
Mr. McCotter		X		Mr. Al Green (TX)	X		
Mr. McCarthy (CA)		X		Mr. Cleaver	X		
Mr. Pearce		X		Ms. Moore	X		
Mr. Posey		X		Mr. Ellison	X		
Mr. Fitzpatrick		X		Mr. Perlmutter	X		
Mr. Westmoreland		X		Mr. Donnelly	X		
Mr. Luetkemeyer		X		Mr. Carson	X		
Mr. Huizenga		X		Mr. Himes	X		
Mr. Duffy		X		Mr. Peters	X		
Ms. Hayworth		X		Mr. Carney	X		
Mr. Renacci		X					
Mr. Hurt		X					
Mr. Dold							
Mr. Schweikert		X					
Mr. Grimm		X					
Mr. Canseco		X					
Mr. Stivers		X					

The following amendment was also considered by the Committee:

1. An amendment offered by Ms. Waters, no. 3, requiring HUD to publish a notice on its website regarding termination of NSP, was withdrawn.

2. An amendment offered by Ms. Waters, as revised, no. 4, requiring HUD to publish to its website a statement indicating that the NSP has been terminated and that you may contact your Member of Congress, state, county, and local officials for assistance, was agreed to by voice vote.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee has held a hearing and made findings that are reflected in this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

The purposes of H.R. 861, The NSP Termination Act, are to rescind all unobligated balances made available for the Neighborhood Stabilization Program (NSP) as authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111–203; 124 Stat. 2209; 42 U.S.C. 5301 note) and to terminate the program.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 11, 2011.

Hon. SPENCER BACHUS,
*Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 861, the NSP Termination Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Dan Hoople.

Sincerely,

DOUGLAS W. ELMENDORF.

Enclosure.

H.R. 861—NSP Termination Act

H.R. 861 would terminate the Neighborhood Stabilization Program (NSP) and would rescind certain unobligated balances associated with the program. CBO estimates that enacting H.R. 861 would not affect direct spending because CBO expects that all funds targeted by the legislation would be obligated by the time the bill is enacted. The bill also would not affect revenues; therefore, pay-as-you-go procedures do not apply.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

Since 2008, the Congress has provided about \$7 billion to the NSP for grants to state and local governments to purchase and redevelop foreclosed and abandoned homes and residential properties (see Public Laws 110-289, 111-5, and 111-203). As of February 2011, about \$6 billion of those funds have been obligated (that is, the federal government has entered into a legal commitment to make those funds available to grantees). CBO expects that the program will obligate the remaining \$1 billion over the next few months.

H.R. 861 would terminate the NSP once all obligations of the program have been liquidated. The legislation also would cancel unobligated balances that remain from the \$1 billion provided by Public Law 111-203. (The legislation would have no effect on the \$6 billion made available by Public Laws 110-289 and 111-5.)

For this estimate, CBO assumes H.R. 861 will be enacted in the summer of 2011, at which point all remaining funds are expected to be obligated. Because the bill would only cancel unobligated balances, spending would not be affected.¹

The CBO staff contact for this estimate is Daniel Hoople. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

¹ If the bill was enacted sooner, or if the pace of obligations was slower than anticipated, some unobligated balances may remain at the time of enactment. In that case, the budget authority of the NSP would be reduced by the amount of unobligated balances, resulting in a corresponding decrease in direct spending.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of the section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

H.R. 861 does not contain any congressional earmarks, limited tax benefits, or limited tariffs benefits as defined in clause 9 of rule XXI.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This Act may be cited as the “NSP Termination Act.”

Section 2. Rescission of funding for FHA Refinance Program

Section Two rescinds and permanently cancels all unexpended balances remaining available after the enactment of the bill for the Neighborhood Stabilization Program for those amounts made available by section 1497(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111–203; 124 Stat. 2209; 42 U.S.C. 5301 note).

Section 3. Termination of Neighborhood Stabilization Program

Section Three repeals sections 2301 through 2303 of the Housing and Economic Recovery Act of 2008 (HERA) (Public Law 110–289). Any remaining amounts made available prior to the date of enactment of this Act shall continue to be used as governed by section 1497(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. After all amounts under section 1497(a) of the Dodd-Frank have been obligated, the Secretary of Housing and Urban Development shall terminate the Neighborhood Stabilization Program.

Section 4. Publication of member availability for assistance

Section Four requires the Secretary of Housing and Urban Development to publish to its Website on the World Wide Web in a prominent location, large font and boldface type a statement that the Neighborhood Stabilization Program is terminated and that anyone who is concerned about the impact of foreclosed properties in their community should contact their Member of Congress, State, county and local officials for assistance in mitigating the impacts of foreclosed properties in their community.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets and existing law in which no change is proposed is shown in roman):

HOUSING AND ECONOMIC RECOVERY ACT OF 2008

* * * * *

**TITLE III—EMERGENCY ASSISTANCE
FOR THE REDEVELOPMENT OF ABAN-
DONED AND FORECLOSED HOMES**

**[(SEC. 2301. EMERGENCY ASSISTANCE FOR THE REDEVELOPMENT OF
ABANDONED AND FORECLOSED HOMES.]**

[(a) DIRECT APPROPRIATIONS.—There are appropriated out of any money in the Treasury not otherwise appropriated for the fiscal year 2008, \$4,000,000,000, to remain available until expended, for assistance to States and units of general local government (as such terms are defined in section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5302)) for the redevelopment of abandoned and foreclosed upon homes and residential properties.

[(b) ALLOCATION OF APPROPRIATED AMOUNTS.—

[(1) IN GENERAL.—The amounts appropriated or otherwise made available to States and units of general local government under this section shall be allocated based on a funding formula established by the Secretary of Housing and Urban Development (in this title referred to as the “Secretary”).

[(2) FORMULA TO BE DEvised SWIFTLY.—The funding formula required under paragraph (1) shall be established not later than 60 days after the date of enactment of this section.

[(3) CRITERIA.—The funding formula required under paragraph (1) shall ensure that any amounts appropriated or otherwise made available under this section are allocated to States and units of general local government with the greatest need, as such need is determined in the discretion of the Secretary based on—

[(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 mortgage related loan 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.

[(4) DISTRIBUTION.—Amounts appropriated or otherwise made available under this section shall be distributed according to the funding formula established by the Secretary under paragraph (1) not later than 30 days after the establishment of such formula.

[(c) USE OF FUNDS.—

[(1) IN GENERAL.—Any State or unit of general local government that receives amounts pursuant to this section shall, not later than 18 months after the receipt of such amounts, use such amounts to purchase and redevelop abandoned and foreclosed homes and residential properties.

[(2) PRIORITY.—Any State or unit of general local government that receives amounts pursuant to this section shall in distributing such amounts give priority emphasis and consider-

ation to those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest need, including those—

[(A) with the greatest percentage of home foreclosures;

[(B) with the highest percentage of homes financed by a subprime mortgage related loan; and

[(C) identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures.

[(3) EXCEPTION FOR CERTAIN STATES.—Each State that has received the minimum allocation of amounts pursuant to the requirement under section 2302 may, to the extent such State has fulfilled the requirements of paragraph (2), distribute any remaining amounts to areas with homeowners at risk of foreclosure or in foreclosure without regard to the percentage of home foreclosures in such areas.

[(4) ELIGIBLE USES.—Amounts made available under this section may be used to—

[(A) establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers;

[(B) purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;

[(C) establish and operate land banks for homes and residential properties that have been foreclosed upon

[(D) demolish blighted structures; and

[(E) redevelop demolished or vacant properties.

[(d) LIMITATIONS.—

[(1) ON PURCHASES.—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.

[(2) REHABILITATION.—Any rehabilitation of a foreclosed-upon home or residential property under this section shall be to the extent necessary to comply with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability, in order to sell, rent, or redevelop such homes and properties. Rehabilitation may include improvements to increase the energy efficiency or conservation of such homes and properties or provide a renewable energy source or sources for such homes and properties.

[(3) SALE OF HOMES.—If an abandoned or foreclosed upon home or residential property is purchased, redeveloped, or otherwise sold to an individual as a primary residence, then such sale shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition.

[(e) RULES OF CONSTRUCTION.—

[(1) IN GENERAL.—Except as otherwise provided by this section, amounts appropriated, revenues generated, or amounts

otherwise made available to States and units of general local government under this section shall be treated as though such funds were community development block grant funds under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.).

[(2) NO MATCH.—No matching funds shall be required in order for a State or unit of general local government to receive any amounts under this section.

[(f) AUTHORITY TO SPECIFY ALTERNATIVE REQUIREMENTS.—

[(1) IN GENERAL.—In administering any amounts appropriated or otherwise made available under this section, the Secretary may specify alternative requirements to any provision under title I of the Housing and Community Development Act of 1974 (except for those related to fair housing, non-discrimination, labor standards, and the environment) in accordance with the terms of this section and for the sole purpose of expediting the use of such funds.

[(2) NOTICE.—The Secretary shall provide written notice of its intent to exercise the authority to specify alternative requirements under paragraph (1) to the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives not later than 10 business days before such exercise of authority is to occur.

[(3) LOW AND MODERATE INCOME REQUIREMENT.—

[(A) IN GENERAL.—Notwithstanding the authority of the Secretary under paragraph (1)—

[(i) all of the funds appropriated or otherwise made available under this section shall be used with respect to individuals and families whose income does not exceed 120 percent of area median income; and

[(ii) not less than 25 percent of the funds appropriated or otherwise made available under this section shall be used for the purchase and redevelopment of abandoned or foreclosed upon homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income.

[(B) RECURRENT REQUIREMENT.—The Secretary shall, by rule or order, ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed upon homes and residential properties under this section remain affordable to individuals or families described in subparagraph (A).

[(g) PERIODIC AUDITS.—In consultation with the Secretary of Housing and Urban Development, the Comptroller General of the United States shall conduct periodic audits to ensure that funds appropriated, made available, or otherwise distributed under this section are being used in a manner consistent with the criteria provided in this section.

[SEC. 2302. NATIONWIDE DISTRIBUTION OF RESOURCES.

[Notwithstanding any other provision of this Act or the amendments made by this Act, each State shall receive not less than 0.5 percent of funds made available under section 2301 (relating to

emergency assistance for the redevelopment of abandoned and fore-closed homes).

[SEC. 2303. LIMITATION ON USE OF FUNDS WITH RESPECT TO EMI-NENT DOMAIN.

[No State or unit of general local government may use any amounts received pursuant to section 2301 to fund any project that seeks to use the power of eminent domain, unless eminent domain is employed only for a public use: *Provided*, That for purposes of this section, public use shall not be construed to include economic development that primarily benefits private entities.]

* * * * *

MINORITY VIEWS

H.R. 861, the “The Neighborhood Stabilization Program (NSP) Termination Act” is one of four bills being advanced by the Majority as a coordinated assault on federal programs designed to address the nationwide housing and foreclosure crisis. The bill would rescind \$1 billion which will soon be obligated to states and local governments in the hardest hit communities for the purchase and rehabilitation of foreclosed and abandoned homes, to address blight and deterioration of neighborhoods experiencing a high foreclosure rate.

This program is one of a number of complementary federal programs that address different problems posed by our current housing programs. The other programs that the Majority is shutting down are the HAMP loan modification program, a FHA refinance program that is used in conjunction with principal mortgage reductions, and a loan program for unemployed homeowners to bridge the gap so that homeowners can resume payments when they find a job. At the March 2, 2011, Insurance, Housing and Community Opportunity Subcommittee hearing on these four bills, not a single witness—including the GAO and SIGTARP, who were witnesses called by the Majority—supported shutting down any of these four programs at this time.

NSP has received three rounds of federal funding. NSP1 was authorized and initially funded in the Housing and Economic Recovery Act (HERA) (Pub. L. 110–289), NSP2 was funded in the American Recovery and Reinvestment Act (ARRA) (Pub. L. 111–5) and NSP3 was funded in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) (Pub. L. 111–203). The bill addresses all three rounds of funding. Section 2 of the bill would rescind and cancel all unobligated balances for NSP3. Section 3 would repeal the NSP language in HERA and, with respect to NSP1 and NSP2 funds made available, such funds are governed by NSP requirements in effect before repeal. Section 3 also terminates NSP1 and NSP2 upon the liquidation of obligated amounts. As amended at the March 9, 2011, Committee mark-up, the bill also requires that not later than five days after enactment, HUD shall publish on its website the following statement: “The Neighborhood Stabilization Program (NSP) has been terminated. If you are concerned about the impact of foreclosed properties in your community, please contact your Member of Congress, state, county and local officials for assistance in mitigating the impacts of foreclosed properties on your community.”

While the Majority argues that this program is a burden on taxpayers, the original Dodd-Frank conference report included Title XVI “Financial Crisis Assessment and Fund” was which was negotiated by House and Senate Democratic Conferees and included a fee on financial institutions to pay for the implementation costs as-

sociated with the bill, additional funding for mortgage assistance to unemployed homeowners and a third round of funding for NSP. This provision was ultimately rejected by Senate Republicans. As a result, while the Majority may complain about the impact of this NSP funding and the other Dodd-Frank funding provision for unemployed homeowner assistance on taxpayers, it is Republicans who insisted on blocking this fee on large financial institutions, thereby shifting the cost of these two provisions to taxpayers.

HERA provided \$3.92 billion in NSP1 grant funds to all states and selected local governments on a formula basis. ARRA provided an additional \$2 billion in NSP2 funds to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis and for technical assistance. Dodd-Frank provides \$1 billion in grants to all states and selected local governments on a formula basis.

All NSP1 and NSP2 allocations to grantees have been obligated by HUD. As for NSP3, HUD announced formula allocations on September 8, 2010, and, in subsequent guidance, established a deadline of March 1, 2011, for submission of action plans describing the intended uses of NSP3 funds. HUD is in the process of reviewing these plans and expects to obligate all NSP3 funds allocated to states and local governments by March 31, 2011.

NSP was established to help stabilize communities that have suffered from foreclosures and abandonment through the purchase and redevelopment of foreclosed and abandoned homes and residential properties. NSP grants provide critical assistance to state and local governments and non-profit developers that collaborate to acquire foreclosed or abandoned property; to demolish or rehabilitate acquired or blighted properties; and/or to establish financing mechanisms such as down-payment and closing cost assistance to low- to middle-income homebuyers. Grantees can also create land banks to assemble, temporarily manage, and dispose of foreclosed homes. NSP grantees must use at least 25% of the funds appropriated to house individuals or families whose incomes do not exceed 50% of the area median income. In addition, all activities funded by NSP must benefit low- and moderate-income persons whose income does not exceed 120% of the area median income.

At the March 2, 2011, hearing, Mercedes M. Marquez, HUD Assistant Secretary for Community Planning and Development provided detailed information about the major impact that NSP is having in mitigating the negative effects that vacant and abandoned properties have on communities. From the total NSP appropriation of \$7 billion, HUD estimates that 100,000 properties in the hardest-hit areas will be impacted. This number of properties makes up almost 20 percent of the real estate owned (REO) properties over the last 18 months in NSP-targeted areas. Grantees report that more than 36,000 properties are either under construction or rehab, a third of the overall estimate. Moreover, HUD estimates that NSP will support 93,000 jobs nationwide.

Assistant Secretary Marquez reported that as of December 2010, NSP1 grantees have produced more than 5,300 households in rehabilitated or newly constructed units and more than 6,000 households have received direct homeownership assistance to acquire formerly foreclosed or abandoned properties. In addition, more than

9,700 blighted properties have been demolished or cleared with NSP1 funds. NSP2 grantees project serving 11,000 households through rehabilitation and new construction and more than 5,200 households through direct homeownership support, and about 3,800 blighted properties cleared. HUD estimates that at least 6,000 households will benefit from NSP3 through purchase/rehabilitation of foreclosed or abandoned residential property or new construction on redeveloped lots; and about 3,000 households will benefit from direct homeownership assistance. Rescinding the final \$1 billion of NSP3 funding would stall this progress in reclaiming affordable housing and neighborhoods and remove critically needed investments from the hardest hit housing markets.

HUD has conducted extensive oversight of the NSP program and grantees. Assistant Secretary Marquez testified that such oversight includes monitoring, risk assessment, and auditing NSP grantees as well as providing training and technical assistance to address grantee capacity issues. To date, HUD's Office of Inspector General (OIG) has completed 42 NSP compliance audits. Although the OIG found numerous accounting discrepancies and inaccurate and incomplete reporting by NSP 1 grantees, several OIG audits found that grantees generally complied with NSP1 requirements. In addition, a June 2010, OIG audit of the NSP2 competition (HUD OIG Audit Report 2010-AT-0001) found that HUD properly evaluated the applications and selected the grantees for NSP2 funding.

In December 2010, GAO completed a HERA-mandated report on NSP1 (GAO-11-48) that examined HUD's implementation of NSP1, grantee actions in meeting key NSP1 requirements, actions HUD has taken to mitigate program risks and ensure grantee compliance, and HUD's efforts to collect and assess program data. GAO concluded that HUD established internal control procedures to mitigate risks and promote compliance with program requirements and that for NSP 1 grantees contacted by GAO, they generally showed compliance with program requirements. GAO did find some financial management deficiencies by these grantees, which HUD is requiring that the grantees correct. GAO also found that data on program outputs could be improved and HUD is working to make those improvements.

Finally, Assistant Secretary Marquez's testimony included several examples and case studies where NSP dollars have been efficiently and effectively used to provide affordable housing, create jobs, leverage private investment, and improve communities. Given the positive impact of NSP funding through out the country, several organizations have expressed their strong opposition to H.R. 861 and support for continued funding of the program. These national, state, local organizations include the National Association of Counties, National League of Cities, U.S. Conference of Mayors, National Community Development Association, National Association for County Community and Economic Development, Council of State Community Development Agencies, Enterprise Community Partners, Inc., Association for Neighborhood and Housing Development, Arizona Foreclosure Prevention Task Force, Atlanta Neighborhood Development Partnership, Inc., Center for Community Progress, Center for New York City Neighborhoods, Citizens' Housing and Planning Association, City of Chicago, Department of

Housing and Economic Development, City of Newark, Columbus Housing Partnership, Council of State Community Development Agencies, Cypress Hills Local Development Corporation, Detroit Office of Foreclosure Prevention and Response, Diamond State Community Land Trust, Enterprise Community Partners, Habitat for Humanity International, Healthy Neighborhoods, Inc., HousingWorks RI, Greater Rochester Housing Partnership, Local Initiatives Support Corporation, Louisiana Housing Alliance, Massachusetts Housing Partnership, Mercy Housing, National Association of Housing and Redevelopment Officials, National Community Land Trust Network, National Community Reinvestment Coalition, National Community Stabilization Trust, National Council of State Housing Agencies, National Housing Conference, National Housing Institute, National Law Center on Homelessness & Poverty, National NeighborWorks Association, Neighborhood Housing Services of Phoenix, Inc., Neighborhood Housing Services of South Florida, New York Mortgage Coalition, Northfield Community LDC of Staten Island, Inc., Omni New York, LLC., PolicyLink, Rebuilding Together, Restoring Urban Neighborhoods, LLC., RISE, America!, Smart Growth America, St. Ambrose Housing Aid Center, Stewards for Affordable Housing for the Future, The Community Builders, Inc., The Housing Partnership Network, The Wisconsin Partnership for Housing Development, Inc., and Urban Housing Solutions, Inc. Letters from these organizations opposing the bill and in support of the NSP program were placed in the March 2, 2011 Subcommittee hearing record and March 10, 2011 full Committee mark-up record.

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