

I. NSP1 PROGRAM REQUIREMENTS

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A. INTRODUCTION

The Neighborhood Stabilization Program (NSP) was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. NSP1 references the NSP funds authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008. Unless HERA states otherwise, NSP1 funds are to be considered Community Development Block Grant (CDBG) funds.

NSP has five eligible uses:

- A. Financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties;
- 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 land banks for homes that have been foreclosed upon;
- D. Demolish blighted structures; and
- E. Redevelop demolished or vacant properties.

The Implementation Manual presents the procedures and requirements to be followed in implementing the NSP contract. The Manual will be revised as regulations and requirements change. Only the most recent edition of the manual will contain the rules in effect at any time.

B. UNIFORM ADMINISTRATIVE REQUIREMENTS

HERA authorizes the use of alternative requirements to any provision under Title I of the Housing and Community Development Act of 1974, as amended, (the HCD Act) except for requirements related to fair housing, nondiscrimination, labor standards, and the environment (including lead-based paint). Unless otherwise noted statutory and regulatory provisions governing the CDBG program, including those at 24 CFR part 570 subpart I for states shall apply to these funds.

Consistency with Consolidated Plan

Grantees are required to use NSP funds in a manner that is consistent with the activities identified in the State of Wisconsin's Substantial Amendment to 2008 Annual Action Plan and that are supportive of the goals identified in that substantial amendment.

Program Targeting and Income Verification

The NSP program includes two low- and moderate-income requirements that supersede existing CDBG income qualifications. All of the funds shall be used to assist individuals and families whose income does not exceed 120 percent of area median income (AMI). The regular CDBG definitions of “low-income” and “moderate-income” are the same. Households with income between 81-120 percent AMI will be referred to as “middle income.”

There are additional income targeting provisions associated with the use of NSP funds: not less than 30% of the funds made available to grantees shall be used for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50% AMI.

Income eligibility is based on the annual (gross) income of all adults in the family. “Annual income” shall be as defined in 24 CFR Part 5.

C. PROCUREMENT AND CONTRACTING PROCEDURES

When procuring property or services utilizing NSP or other federal funding, the Grantee must make sure it is compliant with standards involving procurement practices, contracting services, conflict of interest, and other related issues.

Procurement

All NSP Grantees must establish written procurement procedures. The procedures or policies must cover acquisition of supplies and services.

When acquiring the services of a consultant to administer NSP or to provide other professional services (e.g., audit, architectural, engineering) to be paid with NSP funds proper procurement procedures must be followed. For professional services that are less than the simplified acquisition threshold of \$100,000 Grantees may use the simplified acquisition procedures as specified in 24 CFR Part 85.36 or 24 CFR Part 84.44.

Simplified acquisition procedures require that price or rate quotations shall be obtained from at least three qualified sources. If a local procurement policy is in place that is more restrictive than the simplified procedures described here, the local policy must be followed. Evidence that the appropriate procedure was followed must be in place in the procurement file.

Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

Grantees must, to the extent practicable and economically feasible:

- Give preference for products and services that conserve natural resources and protect the environment and are energy efficient.
- Make positive efforts to utilize small businesses, minority-owned firms, and women’s business enterprises.

Contracting

Grantees must ensure that every purchase order or other contract executed for federally-assisted projects includes any clauses required by Federal statutes and Executive Orders

and their implementing regulations. Some of the clauses that must be incorporated into contracts include acknowledgment that contractors must follow Federal labor requirements (when they apply) like the Copeland Anti-Kickback Act, promise to comply with the Equal Employment Opportunity Executive Order, and recognition of conflict-of-interest provisions.

D. CONFLICT OF INTEREST

NSP utilizes the CDBG program regulations regarding conflict of interest. The regulations require compliance with two different sets of conflict-of-interest provisions. The conflict of interest provisions in 24 CFR Part 85.36 or 24 CFR Part 84.44 apply to the procurement of property and services.

In addition, the CDBG regulations in 24 CFR 570.489(h) specify the requirements for providing assistance to individuals, businesses, and other private entities. This section applies to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the state, or of a unit of general local government, or of any designated public agencies, or subrecipients which are receiving funds. The general rule is that no person who exercises or has exercised any functions or responsibilities with respect to activities assisted with grant funds or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement, or the proceeds, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

Family includes:

Spouse, Fiancée/fiancé, Children and children-in-law, Brothers and brothers-in-law, Sisters and sisters-in-law, Parents and parents-in-law, and/or anyone who receives more than 50% of their annual support from the person (e.g., adopted child, foster child).

Determining Potential Conflict of Interest

Following are the steps to use to determine a potential conflict of interest:

- Identify “covered persons” for your NSP program.
- Add conflict of interest question to your NSP application.
- Inform applicants with potential conflict of interest that there will be public disclosure of their name.
- Publish “Conflict of Interest Publication Notice” one time in a local newspaper.
- Submit an Affidavit of Publication of the Notice and a letter giving a brief narrative of the situation to the NSP program administrator. The letter should include the applicant’s name, income level, how public disclosure was made, and description of why a waiver should be granted.
- DO NOT sign any loan closing documents until you have received a signed waiver.

Factors considered for an Exception to the requirements:

- Whether the person affected is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit

such person to receive the same interests or benefits as are being made available to the group or class;

- Whether the affected person has withdrawn from his/her functions/responsibilities or the decision-making process with respect to the specific assisted activity in question;
- Whether undue hardship will result either to the grantee or the person affected when weighed against the public interest served by avoiding the prohibited conflict;
- Any other relevant factors.

Sample Conflict of Interest Publication Notice:

The (**Grantee Name**), hereby discloses its intention to make (**loan/grant**) of (\$**xxxx**) from the federal Neighborhood Stabilization Program (NSP) to (**Name of applicant**) for the purpose of home purchase. (**Name of applicant**) is the (**relationship**) of a(n) (**employee/board member**) of the (**Grantee name**). The (**employee/board member**) does not participate in the approval process for the (**loan/grant**). Comments concerning this notice will be accepted no later than ten (10) days after publication of this notice to: **Grantee name and address; ATT: name of person designated to receive complaints.**

ATTACHMENT 1

Part 5 Income Definition

Part 5 Inclusions

This table presents the Part 5 income inclusions as stated in the Code of Federal Regulations.

General Category	Statement from 24 CFR 5.609 paragraph (b) (April 1, 2004)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in number 14 of Income Exclusions).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except as provided in number 3 of Income Exclusions).
6. Welfare Assistance	<p>Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:</p> <ul style="list-style-type: none"> ▶ Qualify as assistance under the TANF program definition at 45 CFR 260.31; and ▶ Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c). <p>If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:</p> <ul style="list-style-type: none"> ▶ the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus ▶ the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special day and allowances of a member of the Armed Forces (except as provided in number 7 of Income Exclusions).

Part 5 exclusions

This table presents the Part 5 income exclusions as stated in the Code of Federal Regulations.

General Category	Statement from 24 CFR 5.609 paragraph (c) (April 1, 2004)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in number 5 of Income Inclusions).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Disabled Persons	Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671(a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. Armed Forces Hostile Fire Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	<ul style="list-style-type: none"> a. Amounts received under training programs funded by HUD. b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS). c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program. d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time. e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparations	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from SSI and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.

15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	<p>Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions of 24 CFR 5.609(c) apply, including:</p> <ul style="list-style-type: none"> ▶ The value of the allotment made under the Food Stamp Act of 1977; ▶ Payments received under the Domestic Volunteer Service Act of 1973 (employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions); ▶ Payments received under the Alaskan Native Claims Settlement Act; ▶ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians; ▶ Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes; ▶ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program; ▶ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721); ▶ The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands; ▶ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal workstudy program or under the Bureau of Indian Affairs student assistance programs; ▶ Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program); ▶ Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.); ▶ Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments; ▶ The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990; ▶ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, state job training programs and career intern programs, AmeriCorps); ▶ Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation; ▶ Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990; ▶ Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran; ▶ Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and ▶ Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

Assets Inclusions and Exclusions

In general terms, an asset is a cash or no cash item that can be converted to cash. Note that when assets are included in the calculation of Part 5 annual income, it is the income earned from the asset - not the value of the asset - that is counted.

This table presents the Part 5 asset inclusions and exclusions as stated in the Code of Federal Regulations.

Statements from 24 CFR Part 5 - April 1, 1998

Inclusions

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance.
2. Cash value of revocable trusts available to the applicant.
3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.
4. Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.
5. Individual retirement and Keogh accounts (even though withdrawal would result in a penalty).
6. Retirement and pension funds.
7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.

Exclusions

1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.

4. Equity in cooperatives in which the family lives.
5. Assets not accessible to and that provide no income for the applicant.
6. Term life insurance policies (i.e., where there is no cash value).
7. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.