

**STATE OF MARYLAND  
NEIGHBORHOOD STABILIZATION PROGRAM**

The State of Maryland was awarded \$26,704,504 of Neighborhood Stabilization Program (NSP) funding from the United States Department of Housing and Urban Development (HUD) in September 2008. These funds were authorized under Title III of Division B of the federal Housing and Emergency Recovery Act of 2008 (HERA). The funds are to be used to assist communities in addressing abandoned and foreclosed homes in neighborhoods that have been impacted by foreclosure and sub-prime lending. The funds were awarded to the Maryland Department of Housing and Community Development (DHCD) to be administered by the Community Development Block Grant Program (CDBG).

The State published a Substantial Amendment to the State of Maryland's Consolidated Plan/Action Plan as required by HUD under the NSP Program. The plan was approved by HUD in December 2008. The Amendment identified where the funds could be spent, how the funds would be distributed, and program requirements and regulations. It also projected the types of activities, outcomes, and the associated dollar amounts. This document is available on the DHCD website at [www.mdhousing.org](http://www.mdhousing.org).

As required under the law, the NSP funds are to be spent in the areas of greatest need as determined by the State using the criteria and information provided by HUD. The State completed a detailed study of these areas and determined where the funds could be spent. The State's analysis and methodology was approved by HUD when they approved the Substantial Amendment.

At this time, the State will amend the Substantial Amendment to identify changes that we are proposing. Upon consultation with HUD, it was determined that the changes were significant enough that they should be made available for public comment. This amendment identifies proposed changes in activities that were funded and the projected outcomes.

**CHANGE #1 - Method of Distribution**

Originally, the method of distribution to be used by the State of Maryland was as follows:

Grants to Eligible Recipients	\$17,357,928	65%
DHCD Direct Use	\$ 6,676,126	25%
Administration	\$ 2,670,450	10%
TOTAL	\$26,704,504	100%

These numbers were modified after the completion of the competitive application process. The modified method of distribution is:

Grants to Eligible Recipients	\$18,357,928	69%
DHCD Direct Use	\$ 5,676,126	21%
Administration	\$ 2,670,450	10%
TOTAL	\$26,704,504	100%

**CHANGE #2 - DHCD Direct Use**

It was anticipated that DHCD would use at least \$6,676,126 for direct activities. The funding would be used in conjunction with the existing programs of DHCD’s Community Development Administration (CDA). It was anticipated that this funding will be used for eligible multi-family, transitional, shelter, Housing First and Group Homes activities. Additionally, the funding could also be used for downpayment and closing cost assistance for individuals who participate in the Maryland Mortgage Program (MMP).

The following changes have been made:

1 – DHCD has obligated \$3,500,000 to fund one rental housing project in Baltimore City. The funds will be used by a developer to acquire property which will be renovated for use as housing for homeless young men. This project qualifies under NSP Eligible Use E and will benefit Low-Moderate-Middle Income Persons that meet a CDBG definition of Limited Clientele. This development will be considered a Public Facility.

2 - DHCD will use up to \$2,176,126 for the Maryland Veterans Homeownership Initiative. This pilot program will be made available to qualifying Veterans who want to purchase and rehabilitate foreclosed houses in Prince George's County. Prince George's County was selected because it has one of the highest foreclosure rates in Maryland and is home to a large number of veterans which makes it an ideal location to launch a pilot program. Additionally, as a result of the County’s own NSP program which provides financial assistance to homebuyers, there is a network of realtors that have been educated on NSP requirements and are helping homebuyers to find foreclosed houses.

Veterans whose annual household income does not exceed 50% of area median income, and who are primarily first-time homebuyers, are eligible to participate in the program. NSP funds will be used to provide a second mortgage equal to 20% of the purchase price, or after rehab value, plus closing costs and will be offered as a zero percent, deferred loan. The loan will be deferred until the first to occur of (1) prepayment of Borrower’s first mortgage, (2) the sale or transfer of the Property, in whole or in part, or (3) a default under the NSP

Loan. The principal balance of the NSP Loan, forgiven at a rate of 1/15<sup>th</sup> per year, will be due at that time. Additionally, the Veteran may receive a grant of NSP funds, also forgivable over a 15 year period, for repairs and rehabilitation costs. With a minimum \$1,000 cash contribution, the Veteran will receive a 4.875% fixed-rate first mortgage for 40 years from the Maryland Mortgage Program.

This project qualifies under NSP Eligible Use A and will benefit Low-Moderate-Middle Income Persons through housing activities.

*Due to the obligation requirements set by HUD for this program, DHCD reserves the right to use any of the unobligated funds from the Maryland Veteran Homeownership Initiative for additional activities to be completed by existing grantees awarded funds through the competitive program provided that they are able to meet all time requirements. These funds will be used for the same activities that were authorized in the grant agreements between DHCD and that entity.*

### **CHANGE #3 – Land Banking**

It was anticipated that Land Banking would be an activity to be undertaken through the competitive program. This activity will not occur with NSP funding.