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Neighborhood Stabilization Program

The purpose of Neighborhood Stabilization Program (NSP) is to provide emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. The NSP was authorized as Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA) and was amended by the American Recovery and Reinvestment Act of 2009 (ARRA). The Tennessee Housing Development Agency received an allocation of \$49 million in NSP funds to be made available to local governments and non-profit organizations working in areas of greatest based on the following criteria: areas with the greatest percentage of home foreclosures; areas with the highest percentage of homes financed with subprime mortgages; and, areas identified as likely to face a significant rise in the rate of home foreclosures. To meet the requirement that 25% of NSP funds (\$12,340,105) be spent on behalf of persons earning 50% or less of area median income, THDA is working with Tennessee agencies that participate in the Continuums of Care, organizations that help people who are homeless or at imminent risk of homelessness by providing housing and services appropriate to the whole range of homeless needs. The balance of the funding was made available in the application process.

The following are the five eligible activities under HERA:

- 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. This includes activity delivery costs as an eligible activity.
- 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. This also includes relocation costs, direct homeownership assistance and housing counseling.
- c) Establish and operate land banks for homes and residential properties that have been foreclosed upon. The land bank may not hold the property for more than 10 years without obligating the property for a specific, eligible redevelopment of that property in accordance with NSP requirements.
- d) Demolish blighted structures.
- e) Redevelop demolished or vacant properties as housing, including the new construction of housing to redevelop demolished or vacant properties.

NSP funds are considered a special allocation of Community Development Block Grant (CDBG) funding for FY 2008. The statutory and regulatory requirements of CDBG apply to NSP funds



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unless specifically waived by the NSP regulations. The program description is posted on www.thda.org.

Questions and/or comments may be directed to:

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