

TIMELINESS OF USE & EXPENDITURE OF NSP FUNDS

Updated 04/08/09

How long do States and local communities have to spend this money?

Grantees have 18 months to obligate these funds, and four years to expend funds. Congress was very clear that this money be put to work quickly. In some areas, this level of federal funding will be unprecedented. Thus, HUD expects that grantees will have contracts signed or, at minimum, made written offers for properties within 18 months. Options or other non-binding instruments are not acceptable.

Congress was very clear that there is an urgency to deal with a national housing crisis.

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How does HUD determine when NSP funds have been obligated?

As stated in the NSP Federal Register Notice page 58332, “Funds are obligated for an activity when orders are placed, contracts are awarded, services are received, and similar transactions have occurred that require payment by the state, unit of general local government, or subrecipient during the same or a future period. Note that funds are not obligated for an activity when subawards (e.g., grants to subrecipients or to units of local government) are made.” In other words, HUD expects grantees to obligate funds to specific activities. The following are examples of obligations for a “specific activity”:

- Execution of an agreement with a REO holder to acquire one or more foreclosed upon properties;
- Execution of a contract to rehabilitate an abandoned or foreclosed upon property;
- Execution of a loan agreement;
- Issuance of a purchase order for equipment/supplies used to maintain acquired property;
- Execution of a demolition contract;
- Administrative action necessary to assign a staff person to work on NSP activities.

The execution of a subrecipient agreement would **NOT** qualify as an activity that counts toward meeting the 18-month obligation requirement.

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What will happen if grantees don't obligate their funding within 18 months?

HUD will recapture the funds.