
CHAPTER 14. - CLOSE-OUT PROCEDURES

14-1. INITIATION

Close-out proceedings shall begin when one or more of the following occurs:

- A. the LUHA determines that it does not have continuing administrative or legal capacity to carry out the program in a timely or cost-effective manner, or otherwise decides that it does not want to participate (voluntary closeout);
- B. HUD terminates the LUHA's program because the LUHA's performance does not meet the standards specified in 24 CFR 590.29(a); or
- C. HUD terminates the LUHA's program because the LUHA did not acquire any federally owned properties in the previous two Federal fiscal years and because local market conditions demonstrate that an insufficient number of affordable, federally-owned properties is likely to be available for the next fiscal year.

14-2. IMPLEMENTATION

- A. The Field Office Manager will notify the LUHA that close-out will occur for any one of the reasons stated in paragraph 14-1. No close out may occur unless all properties have been conditionally conveyed to homesteaders. In cases of involuntary termination, the LUHA shall be provided an opportunity to present arguments within 30 calendar days for continuation in the program.
 - B. If the Field Office Manager decides against close-out after receipt of the locality's rebuttal in accordance with paragraph 14-2 A. above, the Manager shall write to the locality specifying conditions and a schedule for implementation of actions to remedy program deficiencies. If the LUHA has been inactive for two or more years and chooses to reactivate its program instead of closing out, the applicant's application must be updated to reflect the current situation and reviewed by the Field Office, pursuant to Chapter 4, paragraph 4-6.
 - C. If the Field Office Manager decides to proceed with close-out, the Manager shall take the following steps.
 - 1. Request the LUHA to provide the following on all federal properties acquired with Section 810 funds:
 - a. a report on all properties that were conveyed fee simple to homesteaders prior to implementation of the UHPMIS in FY 1986 if they were not originally input into the system. The report shall include:
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- (1) property address;
- (2) Section 810 drawdown amount;
- (3) date of transfer from Federal Agency to LUHA;
- (4) date of conditional conveyance from LUHA to homesteader;
- (5) date of final conveyance (if the homesteader has met all program requirements;
- (6) disposition of property other than homesteading, date of HUD approval, and alternative use;

- b. updated UHPMIS Quarterly Property and Progress Reports for all properties that have not been conveyed fee simple;
- c. an audit. The LUHA shall be audited in accordance with 24 CFR Part 44, Non-Federal Governmental Audit Requirements which establishes Single Audit Act requirements in accordance with OMB Circular A-128. All findings shall be answered by the LUHA. The audit is an eligible CDBG administrative cost for the Urban Homesteading Program under 24 CFR 570.206(e).

HUD reserves the authority to conduct its own audit of a LUHA, if needed, on a case-by-case basis. If a HUD Field Office becomes aware of irregularities in the administration of the Urban Homesteading Program, an audit shall be requested. A specific audit more extensive than the organization-wide audit under 24 CFR Part 44 will provide HUD access to all books, accounts, records, reports, files and other papers or property pertaining to the locality's program.

2. Request the LUHA to prepare a plan for managing the program after closeout which shall contain:
 - a. the name, title, office and telephone number of contact person responsible for oversight; and
 - b. a schedule for completion of homesteading activities on properties not yet conveyed fee simple, or for which alternative use conditions have not yet begun satisfied.
 - D. The CPD Director shall write to the HUD property disposition office and VA and/or FmHA property management offices involved with the LUHA to inform them of the impending close-out, and request the suspension of all future property transfers to the LUHA, as well as the further notification of available properties noted in Chapter 7, paragraph 7-2, and Chapter 8, paragraph 8-3.
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- E. The CPD Director shall request From the Director, Post Insurance Division, OFA, Headquarters, a list of properties acquired by the LUHA prior to October 1, 1983, if applicable. The list shall contain the FHA, VA or FmHA case number, property address, and value charged against the Section 810 account for the property.
- F. The Urban Homesteading Coordinator shall furnish a list of properties, as appropriate, acquired on or after October 1, 1983 to the RAD for confirmation of the value charged to the Section 810 account for each property. This list should be based on in-house Field Office documents, i.e., HUD-718's, property closing documents, etc.
- G. The Urban Homesteading Coordinator shall review the information received from the LUHA, the RAD, and any LUHA responses to findings, along with HUD monitoring reports and other correspondence with the LUHA; resolve any discrepancies in data and accounting; and note any findings which require further action by the LUHA prior to close-out. (The Urban Homesteading Coordinator may need to contact the HUD, VA, and/or FmHA property disposition offices to resolve discrepancies, if any.)
- H. The CPD Director shall, if necessary, arrange a meeting with the LUHA and local officials to discuss the findings of the Urban Homesteading Coordinator and decide equitable methods and schedules for resolutions.

14-3. CLOSE-OUT CONDITIONS

- A. After the Urban Homesteading Coordinator's close-out review, the Field Office Manager shall send a letter of completion to the Chief Executive Officer of the locality notifying him/her of close-out of the program.

The letter of completion shall contain conditions for unmet obligations which may or may not be limited to the following:

- 1. identification and resolution of any monitoring findings or of any findings from a subsequent Circular A-128 audit;
- 2. reporting requirements on the progress of implementing actions to correct findings;
- 3. a reference to the LUHA's obligation to monitor the milestones of properties from initial conveyance to the locality through final conveyance to the homesteaders and to report to HUD on the UHPMIS Quarterly Progress Report (see Appendix 6);

4. a reference to the LUHA's obligations under its management plan until fee simple title to all properties has been conveyed;

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5. a statement that the LUHA must take whatever action is necessary to enforce the existing Homesteading Agreement and to complete fee simple conveyance to homesteaders or to successor homesteaders, or to obtain approval for alternative use from HUD for properties conveyed to the LUHA for homesteading prior to close-out; and
6. a statement that flood insurance coverage for affected property owners must be maintained for the mandatory period, where the latter extends beyond a "close-out" or completion.

A copy of the letter shall be sent to the Director of the Urban Homesteading Program, Rehabilitation Loans and Homesteading Division, Headquarters.

14-4. RESPONSIBILITIES OF LUHA AFTER RECEIPT OF LETTER OF COMPLETION

- A. Notwithstanding the LUHA's responsibilities for fulfilling all requirements as a result of conditions imposed on the initial letter of completion, the LUHA is responsible for continued monitoring of the Homesteader Agreement with homesteaders, including their being current on the rehabilitation financing and assuring that the homesteader is in residency for the remainder of the 5-year period.
- B. If there is any material breach by the homesteader of the Homesteader Agreement after HUD has issued the letter to the LUHA, the LUHA shall attempt to work with the homesteader for resolution. If resolution cannot occur with the original homesteader the LUHA shall notify the Urban Homesteading Coordinator requesting relief from its obligation to seek another homesteader for a new residency term under 24 CFR Part 590.7(c). The LUHA shall explain the circumstances of the breach of the Homesteader Agreement, its efforts for resolution, whether another homesteader can assume the responsibilities of the property for the remaining residency requirement of the original homesteader if more than two years (see Chapter 3, paragraph 3-1, 1), or identify an alternative use for the property (See Chapter 10). (The LUHA will continue to be liable for the physical condition of the property.)

The Field Office Manager will respond to the request for relief within 30 days of receipt. The HUD Office may grant the LUHA's request or recommend another alternative.

14-5. FINAL CLOSE-OUT LETTER

If there are no conditions, the initial letter of completion shall constitute the final close-out letter, and should be so designated as the final closeout letter. Otherwise, a final close-out letter shall be sent from the Field Office Manager to the Chief Executive Officer

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when the LUHA meets all conditions of the initial letter of completion. (This could possibly be five years or more after the initial letter of completion.) A copy shall be sent to the Director, Urban Homesteading Program, Rehabilitation Loans and Homesteading Division, CPD, Headquarters.

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