
CHAPTER 1. OVERVIEW OF THE URBAN HOMESTEADING PROGRAM

1-1. PURPOSE

- A. The purpose of the Urban Homesteading Program is to utilize existing housing stock to provide homeownership, thereby encouraging public and private investment in selected neighborhoods to assist in their preservation and revitalization. Further, the Program will generally provide homeownership opportunities for lower income families who, except for homesteading, would not be able to improve their housing situations.
- B. The Department encourages the conveyance to homesteaders of locally-owned as well as federally-owned property within the urban homesteading neighborhood. This might include property acquired through tax foreclosures (from local real estate tax defaults), purchase, donations and/or other methods of acquisition by the locality. The Local Urban Homesteading Agency (LUHA) is not required to follow the requirements of Section 810, 24 CFR Part 590, and this Handbook with respect to properties not acquired with Section 810 funds.

1-2. BACKGROUND

- A. The Federal Government's involvement in urban homesteading was officially established by the Housing and Community Development Act of 1974, P.L. 93-383. Section 810 of this Act authorized the Secretary of HUD to transfer without payment unrepaid, unoccupied, one- to four-unit residential properties to States, units of general local government or their designated public agencies for use in urban homesteading programs approved by the Department.
- B. Section 106 of the Housing and Community Development Amendments of 1979 authorized the Secretary of HUD to use Section 810 funds to reimburse the Secretary of Agriculture and the Administrator of Veterans Affairs for the transfer without payment of unrepaid, unoccupied, one- to four-unit residential properties to States, units of general local government or their designated public agencies for use in a HUD-approved urban homesteading program.
- C. Section 122 of the Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181) imposed additional requirements on LUHAs by establishing a priority for the selection of families and individuals most in need of housing assistance. It required LUHAs to establish procedures that gave a special priority to applicants whose current housing failed to meet health and safety standards, including over-crowding; who paid more than 30 percent

of their income for shelter; and who had little likelihood of obtaining improved housing within the foreseeable future without the assistance of a homesteading program. Further, the Act excluded potential homesteaders who are currently homeowners. It also extended the period of rehabilitation to three years in order to let homesteaders use sweat equity where feasible, and increased the occupancy requirement to five years prior to obtaining clear title to the property.

- D. Section 517 of the Housing and Community Development Act of 1987 modified the three-pronged priority criteria for homesteader selection imposed previously by Section 122 of the 1983 Act. It lessened the local administrative burden by only requiring LUHAS to give a special priority to applicants who are "lower-income families" as defined in Section 3(b)(2) of the United States Housing Act of 1937 and allowed LUHAS to include other reasonable selection criteria. It also permits qualified community organizations (non-profits) to accept title to properties on behalf of State and local governments which choose to administer a program and permits States to use CDBG funds for administrative support of their Urban Homesteading Programs.
- F. The primary source of Departmental policy for the Urban Homesteading Program is set forth in the published Regulations, 24 CFR Part 590 (Appendix 1), which implement all of the legislative provisions cited above. This Handbook serves as a supplemental guide for use in the implementation of the program consistent with these regulations. If there is any conflict between the statute or the published regulations and this Handbook, the statute and the regulations shall prevail. Generally, where the Handbook merely provides additional or more detailed requirements or procedures not directly inconsistent with the Statute or Regulations, no conflict will be deemed to exist.

1-3. WAIVERS

The HUD Assistant Secretary for Community Planning and Development may waive any requirement of this Handbook not required by law, whenever it is determined that undue hardship would result from applying the requirement and such application would adversely affect the achievement of the purposes of the Urban Homesteading Program.

1-4. DEFINITIONS

- A. "Act" means Section 810 of the Housing and Community Development Act of 1974, as amended.
- B. "Applicant" means any State or unit of general local government that applies for HUD approval of a local urban homesteading program under the regulations in 24 CFR Part 590.

C. "Federally-owned property" means any real property to which the Secretary of HUD, the Secretary of Agriculture or the Secretary of Veterans Affairs holds title and which is:

1. Improved with a one- to four-family residence;
2. Unrepaired and which is not the subject of an outstanding repair or sales contract; and
3. Not occupied by an individual or family under a lease.

Property of this nature is also referred to as "HUD-owned property," "FmHA-owned property," or "VA-owned property" when the context requires identification of the particular agency. owned property includes eligible properties acquired through Section 312 Rehabilitation Loan defaults, as well as those in the FHA-acquired inventory.

- D. "Field Office" includes Regional Offices in co-located offices. The term "Regional Office" will be stated specifically to indicate Regional jurisdictional responsibilities and oversight.
- E. "FmHA" means the Farmers Home Administration, an agency within the U.S. Department of Agriculture.
- F. "Homesteader" means an individual or family which participates in a local urban homesteading program by agreeing to rehabilitate and occupy a property pursuant to the requirements of 24 CFR Part 590.7(b)(5).
- G. "HUD" means the U.S. Department of Housing and Urban Development.
- H. "Local Urban Homesteading Agency" (LUHA) means a State, a unit of general local government, or a public agency or qualified community organization, designated in accordance with 24 CFR Part 590.7(c) by a State or a unit of general local government. The LUHA must have legal authority to carry out a local homesteading program as described in the Regulations in 24 CFR Part 590.
- I. "Local Urban Homesteading Program" means the operating procedures and requirements developed by a LUHA, in accordance with the Regulations in 24 CFR Part 590, for selecting and conveying Federally-owned properties to qualified homesteaders.
- J. "Lower income families" means those families and individuals whose incomes do not exceed 80 percent of the median income for the area, as determined by the Secretary under Section 3(b)(2) of the United States Housing Act of 1937. Under the provision of 24 CFR Part 813, the Secretary's income limits for this purpose are

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updated annually and are available from the Housing Management Division in HUD Field Offices.

- K. "Qualified community organization" means a private non-profit corporation that:
1. is incorporated under applicable State or local enabling legislation and which has the authority necessary to carry out a program;
 2. is controlled by a board of directors whose members receive no compensation of any kind for the performance of their duties;
 3. is organized exclusively for charitable, educational, scientific purposes, or the promotion of social welfare, and qualifies as an exempt organization under paragraph (3) or (4) of section 501(c) of the Internal Revenue Code of 1986.
- L. "Secretary" means the Secretary of Housing and Urban Development or any person to whom the Secretary has delegated authority for the urban homesteading program.
- M. "Section 810 Funds" means funds to reimburse HUD, FmHA, or VA (as applicable) for federally-owned property transferred to LUHAs in accordance with the Regulations in 24 CFR Part 590.17 and 590.18.
- N. "State" means any State of the United States, any instrumentality of a State approved by the Governor, and the Commonwealth of Puerto Rico.
- O. "Unit of general local government" means any city, county, town, township, parish, village, or other general purpose political subdivision of a State such as a Regional Council of Government or Regional Planning Commission; Guam, the Virgin Islands, and American Samoa, or any general purpose political subdivision thereof; the District of Columbia; the Trust Territory of the Pacific Islands; and Indian tribes, bands, groups, and nations of the United States, including Alaska Indians, Aleuts, and Eskimos.
- P. "Urban homesteading neighborhood" means any geographic area approved by HUD for conducting a local urban homesteading program that meets the requirements of the Regulations in 24 CFR Part 590.7(a).
- Q. "VA" means the U. S. Department of Veterans Affairs.

