



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Dear Executive Director:

Re: HUD REO Program - Good News on the Uniform Relocation Act (URA)

The Department has had additional discussions on the PHA HUD REO Program (PHAs buying FHA REO homes that have been rented to disaster victims.) For further information on the program, please go to <http://www.hud.gov/offices/pih/programs/hcv/reo/index.cfm>.

Since PHAs are considering purchasing some or all of the occupied homes made available by FHA in their areas, you may be asking for information or guidance on relocation issues. At this time, PHAs are in the process of inspecting the homes, acquiring appraisals on the properties, and obtaining information on the occupants in order to make decisions to purchase or not purchase the occupied properties. FHA is providing appraisals for the homes and will sell them to PHAs at a substantial discount.

The following are some updates and discussions that you need to know about: FEMA agreed to provide rental assistance to house disaster victims by reimbursing HUD/FHA for the use of these REO properties via a Memorandum of Understanding (MOU). After a consultation with the Office of General Counsel (OGC), it has been determined that this agreement constitutes government housing assistance for URA purposes. Therefore, comparable housing for any of the occupants who are permanently displaced as a result of a federally assisted project would be other government assisted housing (e.g., public housing units, Housing Choice Vouchers, HOME-assisted units, etc.), if the occupant is eligible for any of these programs. (If not eligible, then private market housing would be the only option).

If a PHA needs to perform nominal rehabilitation work on the home and the occupants will not be permanently displaced (but may or may not have to move temporarily during the rehabilitation work), these occupants would be entitled to the typical costs involved in temporary relocation. Please refer to Chapter 2, Section 2-7 of Handbook 1378 and the new HUD-40030 for information about temporary relocation situations. Since the FHA units are inspected by the PHA's agent and generally deemed to require minor rehabilitation, it is possible that temporary relocation may not be required at all, in some cases. This will largely depend on the nature, time, and extent of the work to be done and the exercise of good judgment. As long as the unit remains decent, safe, and sanitary and the occupants are not put in jeopardy while the work is being done, minimal or no temporary relocation assistance may be required.

Please see 49 CFR 24.402(b)(2)(i) for calculation of the base monthly rent at the displacement unit, based on the lesser of fair market rent or 30% of monthly income. In addition, PHAs may consider requesting a waiver of program regulations that address economic displacement. However, at this point in time we do not know what federal funding, if any, may be involved in the acquisition and rehabilitation of these homes. In the event that federal funding is used, a PHA may request a determination or a waiver of applicable regulations once a funding

source has been identified. Many PHAs are looking at NSP which shares the CDBG economic displacement provisions under 24 CFR 570.606(b)(2)(D)(1). This would require offering a monthly rent that does not exceed 30% of the household's average monthly gross income, given the current situation. If HOME funds are being considered, the HOME economic displacement regulation is at 24 CFR 92.353(c)(2)(C)(1).

Many of the PHAs, such as yours, may be concerned about relocation implications. If a PHA contemplates the use of federal financial assistance, this has to be a concern. It does not have to be a deal breaker, however, if the PHA is willing to retain these units as rental housing for the current occupants, or if the current occupants or other individuals or families are interested in (and capable of) purchasing the properties from the PHAs.

If you have any relocation questions please send them to Joan.Morgan@HUD.gov. Ms. Morgan will work with OGC, FHA, and PIH to address those concerns. For other questions related to the HUD REO Program, please contact Dennis Morgan at (941) 704-4068, or by email at dlmorgan1127@att.net; or you may contact me directly at (202) 402-2727, or by email at: David.Fleischman@HUD.gov.

Thank you for your continued interest in the Department's programs.

Sincerely,

David Fleischman

David Fleischman
Office of Public Housing and Voucher Programs