



Neighborhood Stabilization Program (NSP) *Affordable Homes Strengthening Communities*

Delaware State Housing Authority (DSHA) State NSP Policy and Procedure Manual Revised: February 2010



**Delaware State Housing Authority
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Delaware State Housing Authority (DSHA) Policies & Procedures

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Neighborhood Stabilization Program (NSP)

Neighborhood Stabilization Program (NSP), created as a part of the Housing and Economic Recovery Act (HERA), law on July 30, 2008.

The Delaware State Housing Authority (DSHA) was designated to receive **\$19.6 million** in Neighborhood Stabilization funding by the U.S. Department of Housing and Urban Development (HUD) if the plan amendment was approved.

The primary purpose of the NSP funding is to assist communities that have been or are likely to be most affected by foreclosure, by stimulating re-use of the properties. The funds cannot be used to prevent foreclosure.

Congress directed that funds be used in areas of greatest need. HUD developed data showing areas of greatest need.

NSP funds can only be used for eligible activities; all eligible activities must be used to move foreclosed properties back into productive use as private homes or for a purpose that enhances a neighborhood where foreclosure is a problem. The five eligible activities are:

1. Establish financing mechanisms
2. Purchase and rehabilitate
3. Establish land banks
4. Demolition
5. Redevelopment

All NSP funds must be used to create affordable rental and homeownership opportunities for households at or below 120% of Area Median Income (AMI).

Twenty-five percent of the funds must be targeted to provide homeownership or rental housing to households with incomes 50% or less than AMI.

**Delaware NSP List of Awards
January 2009**

Jurisdiction	DE NSP Award	
New Castle County	\$	7,000,000.00
Kent County	\$	2,500,000.00
Sussex County	\$	2,000,000.00
City of Wilmington	\$	5,600,000.00
City of Dover	\$	1,500,000.00
DSHA Administration and Marketing	\$	1,000,000.00
TOTALS	\$	19,600,000.00

Delaware NSP Grantee Contact Information**New Castle County (NCC)**

NCC Division of Community Development and Housing

77 Reads Way

New Castle, DE 19720

(302) 396-5600

Fax: (302) 395-5591

Agency Contact: Carrie Casey

Kent County

Kent County Levy Court

555 Bay Road

Dover, DE 19901

(302) 744-2480

Fax: (302) 736-2128

Agency Contact: Albert Biddle & Mary Ellen Gray

Sussex County

Sussex County Housing Department

22215 DuPont Blvd, P.O. Box 589

Georgetown, DE 19947

(302) 855-7779

Fax: (302) 854-5397

Agency Contact: Brandy Bennett

City of Wilmington

Department of Real Estate and Housing

800 N. French Street 7th Floor

Wilmington, DE 19801

(302) 576-3000

Fax: (302) 573-5588

Agency Contact: Susana Casado

City of Dover

Planning and Community Development

15 E. Loockerman Street

Dover, DE 19901

(302) 736-7175

Fax: (302) 736-4217

Agency Contact: Tracey Harvey

Delaware State Housing Authority

Planning and Community Development

18 The Green

Dover, DE 19901

(302) 739-4263

Fax: (302) 739-2416

Agency Contact: Vicky Powers

DELAWARE NSP Start-Up Tasks Checklist

Grant Number: _____

Grant Name: _____

Start Date: March 20, 2009

End Date: September 20, 2010

I. Grant Agreement

Execution of DE NSP Grant Agreement
 Execution of Grant Agreements with
 Subrecipients

Date Completed

March 20th, 2009

Execution of MOUs with Developers

II. Financial Management

Date Completed

Return of Authorized Signatures For
 Request For Payment (DSHA-5)
 Determine Payment Type – Advance or
 Reimbursement
 Subrecipients establish a NSP depository
 non-interest bearing bank account.

III. Environmental Review Standards

Date Completed

Completed ERR letters and checklist
 Date of Published Notice (if applicable)
 Date of ERR sent to Environmental Officer
 Date of Release of Funds

IV Procurement

Date Completed

Keep in files previously approved
 procurement of contractors for NSP
 activities.

Hiring or Contracting

Who:

When:

Who:

When:

Who:

When:

Who:

When:

V. Recordkeeping

Date Completed

Establish recordkeeping and filing system
 for this grant

Update Citizen Participation Plan (if
 necessary)

Update Anti-Displacement Plan (if
 necessary)

Quarterly Reports

(Appendix X – Time Chart)

NSP Definitions

Abandoned: A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for the property, no mortgage or tax payments have been made by the property owner for a least 90 days, AND the property has been vacant for at least 90 days.

Blighted Structure: The structure exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

Current Market Appraisal: The appraisals are made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, Subrecipient, developer, or individual homebuyer.

Foreclosed: A property “has been foreclosed upon” at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceedings.

Land Bank: For the purposes of the NSP, a land bank will operate in a specific, defined, geographic area. It will purchase properties that have been abandoned or foreclosed upon and maintain, assemble, facilitate redevelopment of, market, and dispose of the land-banked properties. If the land bank is a governmental entity, it may also maintain abandoned or foreclosed property that it does not own, provided it charges the owner of the property the full cost of the services or places a lien on the property for the full cost of the services.

Rehabilitation Standard: At a minimum, any rehabilitation done using NSP funds will meet current CDBG or HOME rehabilitation standards, which require houses to meet the livability standards and code for the county or city where activity is taking place. Additionally, grantee must comply with federal and state Lead-Based Paint regulations and conduct a termite inspection for each house.

Recommendation: NSP homes are encouraged to use energy efficient appliances and other applicable green technologies for both rehabilitation and new construction.

Vacant: Unoccupied structures or vacant land that was once developed.

Real Estate Owned Properties (REO): A class of property owned by a lender, typically a bank, after an unsuccessful sale at a foreclosure auction. A bank will typically set the opening bid at a foreclosure auction for at least the outstanding loan amount. If there are no bidders that are interested, then the bank will legally repossess the property. As soon as the bank repossess the property, it is listed on their books as REO – Real Estate Owned – and is categorized as an asset (non-performing).

Grantee: Public agency recipient of NSP funds from HUD.

Subrecipient: Public agency or nonprofit that administers program for grantee. Must follow NSP regulations and policies established by Congress and grantee.

Developer: Nonprofit or for-profit organization that arranges and completes deals.

Delaware NSP Regulations and Requirements

Low Income Targeting

HUD requires grantees to identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned and foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of AMI. Redevelopment and sale of vacant properties, under eligible USE E, does not count toward the 25% set aside.

DSHA requires the Subrecipient to follow their approved budget and work plans, submitted by the Subrecipient to DSHA, in assisting households earning less than 50 percent of AMI.

DSHA requires a minimum of 25 percent of Subrecipient funds to be obligated to projects that assist low-income households. *DSHA reserves the right to assign percentages that grantee must meet to assist the state with meeting this requirement.*

Timing

HUD has mandated a strict timeframe regarding the obligation of initiation of project activities. Funds must meet the HUD definition of obligated within 18 months of HUD's execution of the grant agreement with the state. Therefore, the state reserves the right to recapture awarded funds and transfer funds to other entities. NSP funds obligation date is September 20, 2010. At this point, funds must be obligated to specific projects demonstrated through contractual agreements.

Grantee is required to submit quarterly status reports [DSHA-13] and the NSP document of itemization of obligated funds spreadsheet, due to DSHA 15 days at the end of each quarter.

Grantee's progress is evaluated on a quarterly basis using quarterly report information to analyze progress on performance goals and financial assessment.

Grantee will be evaluated during the month of March 2010 as per section 7 G of the NSP Grant Agreement Contract. Site visits will occur on a semi-annual schedule unless DSHA feels necessary to schedule a site visit earlier than the six months based on data from the quarterly report.

DSHA also reserves the right to require grantees to use the additional funds toward meeting the low-income targeting requirement.

Affordable Rents

Affordable rents cannot exceed those that comply with the Federal Low Income Housing Tax Credit Program for households earning less than 60 percent of median income, HOME limits for households earning 60 percent to 80 percent of median income, and 30 percent of median income for households earning more than 80 percent of median income.

Affordable Periods

In the NSP, HUD requires that states ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental or redevelopment of abandoned and foreclosed-upon homes and residential properties remain affordable to individuals or families whose incomes do not exceed 120 percent of AMI. Additionally, for units originally assisted with funds to meet the requirements, HUD requires that 25 percent of the funds be used to assist households with incomes at or below 50 percent of AMI, and that these units remain affordable to households with incomes at or below 50 percent of AMI. As a floor, HUD has set the minimum affordability restrictions used in the HOME Program as minimum restrictions for the NSP as well.

The statewide NSP standard will be the HOME Program minimums (see chart below). We strongly encourage all the jurisdictions to use mechanisms that will not only recapture subsidies, but actually preserve affordability for as long as possible. Subrecipients will be held to their long-term affordability plan, attachment C, in the grant agreement. DSHA NSP staff will undertake long-term affordability monitoring.

NSP Minimum Recapture Periods

- I. Deferred Second Mortgage Loans for Downpayment and Closing Costs
 - A. The prorated amount of NSP funds in the form of second mortgage loans used for downpayment and closing costs are subject to recapture when the initially-assisted homebuyer sells, rents or refinances the NSP-assisted property within the recapture period set forth in the following chart:

Amount of Funds	Recapture Period
Less than \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

NSP mortgage loans shall be forgiven after expiration of the loan recapture period and/or period of affordability. If the NSP-assisted property is sold, rented or refinanced during the recapture period, the amount of the repayment required should be prorated by the number of full years the original NSP-assisted owner occupied the property. For example, a NSP deferred second mortgage in the amount of \$20,000 would have a recapture period of 10 years. If the property was sold 3 years and six months after the recapture period started, then 30% (3 full years/10 year recapture period) of the original \$20,000 NSP loan would be forgiven making the repayment amount due \$14,000.

- B. Where the net proceeds (the sales price less mortgage loan repayment and closing costs) is greater than the prorated balance due under the NSP mortgage loan, the balance of the NSP prorated mortgage loan shall be repaid to DSHA. However, where the net proceeds are less than the NSP mortgage loan, the amount of the net proceeds shall be repaid to DSHA. All repaid NSP mortgage funds shall be used to support other NSP-eligible activities.
- C. These recapture provisions shall be included in the note and mortgage evidencing and securing the NSP-funded second mortgage loan.

Acquisition Discount

NSP regulations require a minimum of 1% discount for the acquisition of foreclosed upon properties. This discount is from a current market appraised value, which is determined by an appraisal that is prepared within 60 days of the offer on the property.

NSP Acquisition Team

External Team of Professional Service Providers

NSP Subrecipient must adhere to the regulations and requirements in their NSP Grant Agreement and their procurement processes outlined in their NSP manual for the following NSP Partners:

- Appraisers
- Title Companies
- Lead-Based Paint & Environmental Risk Assessors
- Developers/Rehabbers/General Contractors
- Procurement Process (Developer partners do not have to adhere unless otherwise notified in agreement with the NSP Subrecipient; Subrecipient partner must adhere to all NSP regulations as it relates to their activities.)
- Lenders
- Realtors
- Housing Counselors *(refer to NSP Housing Counseling

***Delaware NSP Housing Counseling**

Each household wishing to purchase a home through the NSP must successfully complete HUD-certified housing counseling sessions to ensure that they are mortgage ready and understand the risks, responsibilities, and rewards of homeownership. All NSP funds must be used to create affordable rental and homeownership opportunities for households at or below 120% of AMI. These households must have incomes equal to or less than the HUD income limits for their county and household size.

Delaware has eight housing counseling agencies serving statewide, the eight counseling agencies are HUD-approved. Based on the need for statewide housing counseling for DE NSP, a MOU was executed between the Subrecipients and DSHA as contractors for DE NSP required housing counseling.

NSP counseling funds will be paid upon closing of a NSP home at a rate of \$1,250.00 per closing. The rate of \$1,250.00 was determined by a cost analysis conducted by the Federation of Housing Counseling, representing each agency, and voted upon by the Board of the Federation. DSHA and Subrecipients agreed upon this fee demonstrated by the executed MOU. Housing counseling agencies must submit the copy of the HUD-1 for reimbursement for NSP client.

NSP clients will be reimbursed at closing by the jurisdiction for the \$100 housing counseling fee charged for all clients who acquire housing counseling services. This \$100 is not exclusive of NSP housing counseling.

Housing Counseling forms and the executed MOU that are being used for NSP housing counseling can be found in the FORM section of the manual.

External Statewide Partnerships

National Community Stabilization Trust (NCST): NCST description of agency and services can be found in the EXHIBIT section of the manual. Subrecipients must adhere to rules and agreement outlined in the MOU between Subrecipient and DSHA. As the Community Coordinator, DSHA has a MOU with NCST. DSHA must adhere to rules and agreements outlined in the MOU between DSHA and NCST.

Delaware State Housing Authority (DSHA)

NSP Policies & Procedures

I. Reporting & Recordkeeping

REPORTING

The Grantee and Subrecipients will be expected to collect and report information about the uses of funds, including, but not limited to:

- Project name
- Identify partner for activity
- Activity
- Itemization of funds for activity
- Location
- National objective
- Funds budgeted and expended
- Funding source and total amount of any non-funds
- Numbers of properties and housing units
- Beginning and ending dates of activities
- Numbers of low- and moderate-income persons or households benefiting
- Purchase amount for each property
- Appraisal amount for each property
- Sales amount for each property
- Discount amount
- Data needed to support performance measures
- Subsidy Amount

Quarterly Reporting

DSHA is responsible to report to HUD on a quarterly basis using DRGR, HUD's online Disaster Recovery Grants Reporting database system. HUD requires quarterly reporting in DRGR for every activity awarded Federal NSP funds.

DSHA has provided DSHA-13 quarterly report templates to the Subrecipients. In addition to DSHA-13 Subrecipients must provide updates of their itemization of obligated and expended funds per project. DSHA has provided a spreadsheet template to use, or they may use their own, however it must detail all costs associated with each activity.

Reporting Due Dates - Your report must be received by DSHA on or before due dates:

- April 1 – June 30 report
 - Due by July 15
- July 1 – September 30 report
 - Due by October 15
- October 1 – December 31 report
 - Due by January 15
- January 1 – March 31 report
 - Due by April 15

Timely and accurate reports are important. DSHA must submit Quarterly Report in DRGR for HUD review and approval before the 30th of the due date month.

FAIR WARNING! DSHA will hold payment requests until delinquent reports are received.

Recordkeeping

The address, appraised value, purchase offer amount, and discount amount of each property purchase must be documented in the Subrecipient's program records.

General Requirements

1. File memoranda on meetings, site visits and other NSP related activities.
2. Time and attendance records on all NSP personnel.
3. Submission of Status Report [DSHA-13] & Itemization of Funds Report to DSHA.
4. Mileage and travel expense records, salary information and such other data as are required to substantiate the expenses.
5. Procurement documentation as outlined in the Subrecipient's NSP manual.
6. All such other records as may be required elsewhere in this Manual or that may be subsequently prescribed by DSHA.
7. All agreements with NSP partners must be kept on file and if violation of agreement, notify DSHA and document the violation and resolution in your files and submit copy to DSHA.

Civil Rights

1. Documentation of the action(s) the recipient has carried out (or is carrying out) to affirmatively further fair housing, including records on funds provided, if any, for such actions.
2. For direct benefit activities, data on the extent to which persons have participated in or benefited from any program or activity funded in whole or in part with NSP funds. Records must be kept by race, ethnicity, handicapped status and gender of heads of households. For areawide activities, documentation on: the area and the services being provided to the area; and, the race and ethnicity of the service area.
3. Data on employment in each of the local government's operating units carrying out an activity funded in whole or in part with NSP funds. The data must be

- maintained in the categories prescribed on the Equal Employment Opportunity Commission's EEO-4 form.
4. Data indicating the race and ethnicity of households, and handicapped status of persons displaced as a result of NSP activities, including the address to which each displaced household was relocated (if applicable). Where activities cause a significant level of displacement of business, data indicating the impact of businesses owned by minorities and women (if applicable).
 5. Documentation of actions undertaken to meet the requirements of Section 3 of the Housing and Urban Development Act of 1968.
 6. Submission of Minority Business Enterprise data on form DSHA-13 on a quarterly basis, indicating the racial/ethnic character of each business entity that receives a contract or subcontract paid with NSP funds. Data indicating which of those entities are women's business enterprise as defined in Executive Order 12138 and the amount of the contract or subcontract.
 7. Documentation of the affirmative actions the local governments have taken to overcome the effects of prior discrimination as determined through a formal compliance previously discriminated against persons on the grounds of race, color, national origin or sex in administering a program or activity funded in whole or in part with NSP funds.

Uniform Real Property Acquisition

The following information shall be maintained for at least three years after each owner of the property has received the final payment to which they are entitled.

1. Identification of property and property owner(s).
2. Evidence owner was informed on a timely basis about acquisition and his or her rights.
3. Copy of each appraisal report, including review of appraiser's report, if applicable, and evidence that owner was invited to accompany each appraiser on appraiser's inspection of the property.
4. Copy of written purchase offer and summary statement of the basis for the determination of just compensation; date of delivery to owner.
5. Copy of the purchase contract and documents conveying property.
6. Copy of settlement statement and evidence that owner received purchase price.
7. Copy of any appeal or complaint filed and response.

Labor Standards (Infrastructure Only)

1. Contract documents, which contain actual wage rates used and which were included in the solicitation and award documents.
2. Contracts containing proper and applicable labor standard provisions. File may also include certification from contractor.
3. Evidence that the recipient inquired and was informed that the successful bidder and all subcontractors were not on the list of debarred contractors.
4. Actual payrolls submitted and evidence that payrolls were reviewed in a timely manner.
5. Evidence that worker interviews were conducted.
6. Evidence that an enforcement report was submitted to the state and HUD where restitution of \$1,000 or more was required.
7. Adherence to Davis-Bacon Laws as outlined in Federal Regulations.

II. Environmental Review Recordkeeping and Processes

II. Environmental

1. For every project, the recipient must maintain in environmental review record (ERR) that includes:
 - a. Description of project and activities;
 - b. All environmental reviews including their findings and documents;
 - c. Public notices;
 - d. Written determinations;
 - e. State's approval of environmental certification and request for release of funds.

2. Project Consisting Solely of Exempt Activities (58.34)"
(Note: Project is defined as one or more activities described in Section 105 of the Housing and Community Development Act)
 - a. Written documentation signed by certifying officer that projects meet qualifications for exemption. (58.34) (B)). See also 3C below.

3. Project Consisting of Categorical Exclusions (58.35)):
 - a. Written documentation signed by certifying officer that project activities meet the requirements for categorical exclusion (58.35)(a)) or exemption (58.34) from NEPA requirements (58.35 (a)).

 - b. Written documentation of compliance with environmental requirements of other related laws at 58.5 determined to be applicable to the project; documentation showing completion of procedures and actions required under applicable laws and authority (58.35) (b)).

 - c. Where designated laws and authorities do not apply to project, a written determination signed by certifying officer that project is exempt (58.34)(a)(12)). See 2 above and omit "d" and "e" below.

 - d. Evidence that Notice of Intent to Request Release of Funds (NOI/RROF) was published at least 7calendar days before submitting RROF to state, using the HUD format or equivalent. Record of comments and how they have been taken into account (58.70).

 - e. Evidence that RROF and environmental certification were submitted to State (58.71)

4. Environmental Assessment for Projects Not Classified as Exempt of Categorically Excluded:

- a. Consultation with other Agencies
 - i. Evidence that early EA process, recipient initiated, coordinated and consulted with other concerned Federal and State agencies (58.43)
 - ii. Evidence of completion of actions required other applicable laws and authorities (58.6)
 - b. For projects requiring environmental assessment (EA), evidence that EA has been completed using HUD format or equivalent (58.40).
 - c. If FONSI determination made, evidence that separate FONSI Notice and separate NOI/RROF or combined notice of both, (using HUD format(s) or equivalent(s) were prepared and sent to:
 - i. EPA headquarters and appropriate regional offices;
 - ii. Interested individuals and groups;
 - iii. Appropriate local, state, federal agencies; and
 - iv. State NSP agency (58.43) – Delaware State Housing Authority (DSHA)
 - d. Evidence that notices were published at least once in local areawide newspaper (for exceptions, see 58.43)
 - e. Evidence that 15-day comment period provided for combined FONSI Notice and NOI/RROF or for separate FONSI Notice. Record of comments received and how they have been taken into account (58.43 & 58.45). Records of any determination extending comment period providing for 30-day FONSI notice instead of the normal 15-day comment period (58.46).
 - f. Where separate notices are issued, evidence that 7 calendar days between publication and the end of the comment period were provided for NOI/RROF before the submitting RROF to state, including a (58.70) record of all 58.70 comments received and how they have taken into account (58.45).
 - g. Evidence that RROF and certifications were submitted to state (58.71).
 - h. If there is a finding of significant impact, copy of the findings signed by the certifying officer and a copy of Notice of Intent to Prepare an EIS (58.55).
5. Environmental Impact Statement:
- a. Evidence that NOT/EIS was published and distributed, using HUD format or equivalent (58.55 & 58.40). Where applicable,

documentation of a determination to adopt other Federal agency EIS (58.52) or to resuse the prior EIS (58.53).

- b. Record of the scoping process and determination to hold scoping meeting (NEPA regs 1501.7 & 58.56)
 - c. Draft EIS prepared according to HUD format and Section 1502.10 of NEPA regs (58.60).
 - d. Record of any decision to hold public hearings. If hearing held, a record of the proceedings, any comments received, and how these were taken into account (58.59).
 - e. Evidence that DEIS filed with EPA headquarters and regional offices (58.60). Documentation of the distribution of DEIS or summary (58.60).
 - f. Record of preparation of the Final EIS according to 40 CFR 1502, using HUD format or equivalent. Evidence that it was filed with EPA and distributed to HUD and other parties who have commented on DEIS or requested copies (58.60). Record in FEIS any response to comments received during comment period and public hearings if any was held (NEPA regs, Parts 1502 and 1505 58.60).
 - g. “Record of Supplemental DEIS and FEIS prepared, if any.
 - h. “Recode of Decision” which includes: lead agency decisions whether to proceed with monitoring and enforcement measures to be undertaken, using HUD format or equivalent (NEPA regs. 1505.25; 58.60).
 - i. Evidence of compliance with related laws and authorities applicable to the project in the DEIS and FEIS (58.5).
 - j. Record of the date that FEIS and filed with EPA and the final list for distribution to agencies and public.
 - k. Evidence that at least 7 calendar days before submitting the RROF and certification to the state, the recipient published and disseminated NOI/RROF in the same manor as a FONSI (Sec. III C-E (58.70 & 58.430)).
6. Release of Funds and Certification Approval:
- a. Date of ROF and certification submitted to state.

- b. Record of objections received from agencies or public, if any received during the state ROF process, and their disposition (58.76, 58.77 (a)(b)).
- c. Copy of the state notification of the release of funds and approval of certification.
- d. Record of the implementation of the environment review decisions.

III. Drawdown Procedures

II. Drawdown Procedures

Purpose – The grant payment procedures outlined herein are designed to expedite the transfer of the NSP funds from DSHA to an approved Subrecipient.

Policies– Subrecipients may use both advance payment and reimbursement systems.

Advance System – An advance is a payment made to a Subrecipient upon its request before cash outlays are made by the Subrecipient. NSP funds drawn in advance must be spent within three (3) days of receiving funds in account for the requested activity. Understanding that 3 days may not suffice as enough time for a check to be cut to a partner, DSHA will allow funds to be in account, past the 3 days, for a reasonable time for a check to be processed and cut. If not all funds are used from draw request, notify DSHA, based upon activities in Subrecipient’s pipeline, the Subrecipient may be directed to document why funds were not all spent and will be spent on next NSP activity or DSHA will request funds to be paid back.

Reimbursement System – A reimbursement is a payment made to a Subrecipient upon request after cash outlays have been made by the Subrecipient. HUD has recommended sending draw forms on a regular basis for reimbursement of NSP activities.

Interest – In the event that interest is earned on Delaware NSP monies, it will be collected by the DSHA and returned to the U.S. Treasury.

Authorized Signature Form (DSHA-5) – The form (Authorized Signature for Request for Payment) on the NSP account, must contain identical typed names of the individuals authorized by the Subrecipient to co-sign the Request for Payment. The written and typed names must be identical on each form.

Grant payments cannot be made for any project until the following actions occur: (a) the Grant Agreement is executed by all parties; (b) DSHA receives and approves the Subrecipient’s certification of completion of the environmental review process; and (c) DSHA removes grant conditions and issues a release of funds.

The Request for Payment form must be accurately completed or it will not be processed. If there are questions, please contact DSHA’s NSP Administrator.

Program income generated by NSP activities will be subjected to NSP program income regulations. Ten percent of program income may be used for administration. It must adhere to regulations set forth in the NSP manual Program Income section and NSP Grant Agreement. Subrecipients who have partners identified as developers may choose if and how much program income Subrecipient will require from their developer partner at time of sale. Developers

are not subjected to NSP Program Income Regulations, only the Grantee and Subrecipients of NSP funds are subjected.

Drawdown Payment System

- A. Payment requests should be requested on an as needed basis for NSP activities.
- B. All NSP funds must be deposited into and disbursed from a separate non-interest bearing bank account or existing CDBG/HOME accounts. NSP funds should be spent within 3 days of receiving funds from DSHA, or a reasonable time period for a check to be processed and cut.
- C. Subrecipients must have a financial management and recordkeeping system that adequately accounts for NSP funds and program income.
- D. All payments for non-administrative expenses may be drawn down on anticipation of a scheduled contractual payment or reimbursement.
- E. Funds for expenses other than administration may not be expended nor drawn before completion of the required environmental review.
- F. Draws or payment requests must be made using the Request for Drawdown Payment form (DSHA-8). Approximately five to seven working days will normally be required from receipt of request, to issuance of check, provided the request is properly prepared in compliance with these instructions and other applicable policies. A fax is permitted. A copy is to be retained by the Subrecipient for their records.
- G. Section I. - REQUESTS for DRAWDOWN should be completed as follows:
 - 1. NAME AND ADDRESS OF REQUESTER - Name and address of the State Contractor.
 - 2. CONTRACTOR NUMBER - The State contract number.
 - 3. FEDERAL ITEM E.I. NO. - The Subrecipient's federal (Employer Identification number) tax identification number.
 - 4. AMOUNT REQUESTED - Total amount of funds requested.
 - 5. REQUEST NUMBER - Sequential number starting with one that serially identifies this contract draw.
- H. Section II. - Itemization of the Amount of This Request requires:
 - 1. PAYEE - Vendor to whom funds will be paid upon receipt.

2. TYPE ACTIVITY - Identify the contract activity to which the funds will be charged when disbursed by Subrecipient (e.g. rehab).
 3. AMOUNT - Amount of funds requested for this Payee/Purpose.
 4. PROGRAM INCOME (P.I) - Subtract any program income received from the required program costs. (Remember: Program Income must be used to reduce the next drawdown submitted after it is received.)
 5. TOTAL FUNDS REQUESTED - Total of all amounts shown in the "AMOUNT" column less P.I. This figure should equal the amount shown in "AMOUNT REQUESTED" in Section I.
- I. Section III REMARKS should be used to report program income or make other explanation as required. When reporting program income, be sure to indicate the program activity to which program income will be applied.
- J. Complete the "Schedule of Payments," page 2, as specified.

NOTE: An approved change order (DSHA-16) must accompany any Request for Drawdown that indicates transfer of funds not exceeding 5% of the total funds approved for all contracted NSP activities, excluding administration.

When an individual transfer or the cumulative amount of all such transfers will exceed 5% of the total funds approved for all contracted NSP activities, excluding administrative costs, a Contract Amendment reflecting the transfer must be executed prior to the drawdown.

IV. Program Income

IV. Program Income

This guidance is provided for states, units of general local government, Subrecipients, and other entities that receive revenue directly generated by activities carried out with NSP funds. When such revenue is received by a state, unit of general local government, or Subrecipient (as defined at 24 CFR 570.500(c)), it is referred to as *Program Income*. When such revenue is received by an individual or other entity (e.g., a developer of a housing project), it is referred to as *Revenue*.

DE NSP Subrecipients may determine the amount of program income that will be required to be returned to Subrecipient from their contracted developers and Subrecipients. The MOU between the Subrecipient and partner (developer or Subrecipient) must outline all requirements for policies and procedures between the Subrecipient and partner. If the MOU is violated, the Subrecipient is required to notify DSHA.

A. General Guidance on Financial Management

1. Program income means amounts earned by a unit of general local government that were generated from the use of NSP funds distributed by the state. Program income includes, but is not limited to the following:
 - a. Payments of principal and interest on loans made using NSP funds;
 - b. Proceeds from the lease or disposition of real property acquired with NSP funds;
 - c. Reimbursements from the demolition of real property;
 - d. Proceeds from anti-speculation mortgages; and
 - e. Proceeds from the sale of NSP homes.
2. Any program income that the State has permitted the unit of general local government to retain and that is realized while the unit of general local government is participating in a community development program is subject to the requirements of the Housing and Community Development Act of 1974 as amended (the Act) and Subpart I of Part 570.
3. NSP Subrecipients may identify the percent of monies their developer partners may keep as total project cost. NSP Subrecipients must outline their procedures for program income with their developer partners in their NSP manual and MOU with developer partner.
4. The phrase “to continue the activity from which such income was derived” is defined to mean the same general category of activity. That is to say, if program income is generated from a housing rehabilitation eligible use B, then that income should be used for additional housing rehabilitation activities in the designated NSP targeted area.

5. Program Income received by a Subrecipient from an activity for which the Subrecipient is not authorized to perform under the present contract will be returned to the state for reallocation in accordance with the current final statement, unless the Subrecipient has a reuse plan approved by DSHA.
6. Summary:
 - a. Program Income retained by the Subrecipient will:
 1. Be added to funds committed to the project and used to further the same program activity as the income was derived;
 2. Not be used to pay administrative costs; and
 3. Be expended before additional funds are drawn down from DSHA.
 - b. Program Income not authorized for retention and expenditure by the Subrecipient will be returned to DSHA with an explanation of the source of income.

B. Procedures

1. Program Income authorized for retention and expenditure by the Contractor will be reported in Section II of the Request for Drawdown Payment (DSHA-8).
2. Subrecipients anticipating Program Income generated from activities in which they do not anticipate carrying out activities under their present contract, may prepare a program reuse plan for approval by DSHA. This plan should contain as a minimum the following items:
 - a. Estimate of amount of income;
 - b. Source of income;
 - c. Description of the proposed use;
 - d. Description of how funds will be controlled; and
 - e. Description of how expenditures and project status will be reported.

C. References

1. Uniform Administrative Requirements:
 - a. Attachment E to OMB Circular A-102, Uniform Requirements for Assistance to State and Local Governments (24 CFR Part 85).
 - b. Nonprofits are required to follow OMB Circular A-110 24 CFR Part 84.
2. 24 CFR, Subpart J, paragraph 570.506, Program Income.
3. 24 CFR 570, Subpart I, paragraph 570.494(b), Program Income.
4. Section 104(i) of Title I of the Housing and Community Development Act of 1974 as amended.
5. Cost Principles
 - a. State and local governments are required to follow OMB Circular A-87 (2 CFR Part 225).
 - b. Nonprofits are required to follow OMB Circular A-122 (2 CFR Part 230).
6. Audits
 - a. State, local governments, and nonprofits are required to follow OMB circular A-133.