



U.S. Department of Housing and Urban Development
Community Planning and Development

Special Attention of:

Notice: CPD-04-06

All Secretary's Representatives
All State Area Coordinators
All CPD Division Directors
All HOME Program Coordinators

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Cross References:

SUBJECT: HOME Program - Match Reductions for Fiscal and Severe Fiscal Distress,
and for Major Presidentially-Declared Disasters under the Stafford Act

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Previous Editions are Obsolete

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I. Purpose

The purpose of this Notice is to: (1) provide match reductions for HOME Program Participating Jurisdictions (PJs) satisfying the distress criteria in accordance with 24 CFR 92.222 of the HOME Program regulations; and, (2) inform Field Offices how to notify Headquarters of match reductions approved by Field Offices for Presidentially-declared major disasters under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

II. Matching Contribution Requirement

PJs are required to make contributions to housing that qualifies as affordable housing under the HOME Program. During a fiscal year, the contributions must total not less than 25 percent of the HOME funds drawn from the PJ's HOME Investment Trust Fund Treasury account in that fiscal year for project costs, unless the PJ has received a reduction in the match requirement. Eligible forms of matching contribution are listed at 24 CFR 92.220.

CPD Notice 97-03, HOME Program Match Guidance, provides guidance in identifying eligible sources of matching contributions, calculating the value of matching contributions, determining the point at which a contribution may be recognized as a match, and tracking matching obligations and contributions.

The HOME Program statute (42 U.S.C. 12701) provides for a reduction of the matching contribution requirement under three criteria: (1) fiscal distress; (2) severe fiscal distress; and (3) for Presidentially-declared major disasters pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended, (42 U.S.C. 5121, et seq. (Stafford Act)).

III. Allowable Reductions for Fiscal Distress and Severe Fiscal Distress

Section 92.222 of the HOME regulations provides that HUD may grant a match reduction to state and local PJs, if it finds that the state or local government is in fiscal distress or severe fiscal distress. The match obligation for PJs in fiscal distress and severe fiscal distress will be reduced by 50 and 100 percents respectively, for the fiscal year in which the finding is made and the subsequent fiscal year.

States, including the District of Columbia and Puerto Rico, that satisfy one of the three distress criteria are considered to be in fiscal distress and receive a 50 percent match reduction. States that satisfy at least two of the three distress criteria are considered to be in severe fiscal distress and receive a 100 percent match reduction.

A PJ may be entitled to a greater reduction in a subsequent fiscal year if an increase in their poverty rate or a decrease in their per capita income causes them to be eligible for a 100 percent match reduction in that subsequent year. In that case, the PJ may use the higher reduction for the second year of its original two-year reduction period. In addition, the PJ will still have a subsequent year at the higher rate of reduction with its current reduction period. For example, if a PJ's match reduction for Fiscal Year (FY) 2004 is 50 percent, the PJ can take this 50 percent reduction for FY 2004 and FY 2005. However, if the same PJ

receives a match reduction of 100 percent in FY 2005, the PJ may take the 100 percent for FY 2005 and FY 2006.

Conversely, if a PJ's reduction in a subsequent fiscal year is less than the original reduction year, the greater reduction is maintained for the two years. The PJ would then take the lesser reduction amount in the third year. For example, if a PJ's match reduction for FY 2004 is 100 percent, the PJ can take this reduction for FY 2004 and FY 2005. If in FY 2005 the same PJ receives a 50 percent match reduction, the PJ is entitled to take the 100 percent reduction for FY 2005, but must take the 50 percent match reduction for FY 2006.

For a list of all local and state PJs eligible for a match reduction due to fiscal distress or severe fiscal distress please refer to the Office of Affordable Housing Program's (OAHP) website at www.hud.gov/homeprogram/

A. Criteria for Fiscal and Severe Fiscal Distress for Local PJs

There are two criteria for fiscal and severe fiscal distress for local PJs: (1) family poverty rate, and (2) per capita income (PCI).

First, when a jurisdiction's family poverty rate is 125 percent or more of the average national poverty rate, the jurisdiction qualifies as distressed based on the family poverty rate criterion.

Second, when a jurisdiction's PCI is less than 75 percent of the national average, the jurisdiction qualifies as distressed based on the PCI criterion.

When a local jurisdiction meets one of these distress criteria, it is determined to be in fiscal distress and receives a 50 percent reduction of match. If a local jurisdiction satisfies both of the distress criteria, it is determined to be in severe fiscal distress and receives a 100 percent reduction of match.

For updated calculations, please refer to OAHP's website at www.hud.gov/homeprogram/

B. Criteria for Fiscal and Severe Fiscal Distress for State PJs

There are three criteria for fiscal and severe fiscal distress for state PJs. They include the two criteria used for local PJs: (1) family poverty rate; (2) PCI; as well as (3) personal income growth rate (this is applicable to states only).

For a state to qualify under the personal income growth rate criterion, the state's rate must be less than 75 percent of the average national personal income growth rate during the most recent four quarters.

When a state, including the District of Columbia and Puerto Rico, that satisfy one of the three distress criteria are considered to be in fiscal distress and receives a 50 percent

match reduction. States that satisfy at least two of three distress criteria are considered to be in severe fiscal distress and receive a 100 percent match reduction.

For updated calculations, please refer to OAHP's website at www.hud.gov/homeprogram/.

C. Contacting Headquarters

If the Field Office has a question about the value of a PJ's match reduction, they may contact Robyne Doten in the Office of Technical Assistance and Management, Systems Development and Evaluation Division, via email at Robyne_D._Doten@hud.gov or by phone at (202) 708-0790, extension 2077 (this is not a toll-free number).

D. Updating the Integrated Disbursement Information System (IDIS)

The Office of Affordable Housing Programs (OAHP), Financial and Information Services Division (FISD), will ensure that match reductions for fiscal and severe fiscal distress are entered into the IDIS.

IV. Allowable Reduction for Major Disasters under the Stafford Act

If a PJ is located in an area in which a declaration of major disaster pursuant to the Stafford Act is made, the Field Office may reduce the PJ's matching requirement. For a local PJ, the match reduction could amount to up to 100 percent for the fiscal year in which the declaration of a major disaster is made, as well as the subsequent fiscal year. For a state PJ during that same period, the matching requirement may be reduced by the Field Office by up to 100 percent with respect to any funds expended in the area to which the declaration of major disaster applies. A list of major disasters listed by year can be found on the Federal Emergency Management Agency (FEMA), website which is located at www.fema.gov/library/drcys.shtm.

A. Criteria

A major disaster may result from a hurricane, earthquake, flood, tornado or major fire, in which the President's determination warrants supplemental federal aid. Funding for this comes from the President's Disaster Relief Fund, managed by FEMA, as well as disaster aid programs from other participating federal agencies. A Presidential Major Disaster Declaration initiates federal recovery programs that may be matched by state programs. It is intended to help disaster victims, businesses and public entities. The Stafford Act was created to give aid to state and local governments after a disaster. The Stafford Act identifies the process for obtaining a Presidential Disaster Declaration, outlines the extent of disaster assistance and describes the requirements for gaining aid. The Stafford Act is available on the FEMA website at www.fema.gov/library/stafact.shtm.

B. Notifying Headquarters

Field Offices must notify Headquarters of match reductions approved due to Presidentially-declared disasters. The notification, which is to include a copy of the approval letter to the PJ and the Declaration under the Act, should be sent to: OAHP, Financial and Information Services Division (FISD), Attention: Evelyn Rumph via facsimile at (202) 708-1744 (this is not a toll-free number), or by pouch mail to Room 7164.

C. Updating IDIS

OAHP, FISD will ensure that the Field Office-approved match reductions for Presidentially-declared major disasters are entered into the IDIS.