



Special Attention of:

All Secretary's Representatives
All Regional Directors for CPD
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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1. FY 2007 match reductions due to fiscal distress and severe fiscal distress

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.

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.

A PJ may be entitled to a greater reduction in a subsequent fiscal year if an increase in its poverty rate or a decrease in its per capita income causes it 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) 2007 is 50 percent, the PJ can take this 50 percent reduction for FY 2007 and FY 2008. However, if the same PJ receives a match reduction of 100 percent in FY 2008, the PJ may take the 100 percent for FY 2008 and FY 2009.

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 2007 is 100 percent, the PJ can take this reduction for FY 2007 and FY 2008. If in FY 2008 the

same PJ receives a 50 percent match reduction, the PJ is entitled to take the 100 percent reduction for FY 2007, but must take the 50 percent match reduction for FY 2008.

For a list of all local and state PJs eligible for a match reduction due to fiscal distress or severe fiscal distress please see Attachment 1 of this Notice or follow the “Match” link on 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 2007 calculations of fiscal and severe fiscal distress for local PJs, see Attachment 1 of this Notice.

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.

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 three distress criteria are considered to be in severe fiscal distress and receive a 100 percent match reduction.

For 2007 calculations of fiscal and severe fiscal distress for state PJs, see Attachment 1 of this Notice.

C. Contacting Headquarters

If the Field Office has a question about the value of a PJ's match reduction, they may contact Faye Brill in the Office of Technical Assistance and Management, Systems Development and Evaluation Division, via email at Faye.L.Brill@hud.gov or by phone at (202) 402-4407.

D. Updating the Integrated Disbursement Information System (IDIS)

The Office of Affordable Housing Programs (OAHP), Financial and Information Services Division (FISD), is responsible for entering match liability rates into IDIS and will ensure that match reductions for fiscal and severe fiscal distress are entered into IDIS each year.

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 title IV of the Stafford Act is made, and it is located in an area designated for Individual Assistance or Public Assistance, 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 http://www.fema.gov/news/disaster_totals_annual.fema.

A. Criteria

A major disaster may result from any natural catastrophe (including any hurricane, tornado, storm, high water, winddriven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought), or, regardless of cause, any fire, flood, or explosion, that the President determines to warrant major disaster assistance to supplement resources of states, local governments, and disaster relief organizations. 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 <http://www.fema.gov/about/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: OAHF, Financial and Information Services Division (FISD), Attention: Director, via facsimile at (202) 708-1744, or by pouch mail to Room 7164.

C. Updating IDIS

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

ATTACHMENT 1