

Income Payments - Criteria for National Objective

May 20, 1991

MEMORANDUM FOR: Harold G. Thompson, Acting Regional Administrator-Regional Housing Commissioner, 1S

ATTENTION: Frank V. Del Vecchio, Director
Community Planning and Development, 1C

FROM: Anna Kondratas, Assistant Secretary for
Community Planning and Development, C

SUBJECT: Income Payments-Criteria for National Objective

This is in response to your memorandum dated November 16, 1990 requesting a policy interpretation on the eligibility of income payments to other than low- and moderate-income persons under 24 CFR 570.204(a) of the CDBG regulations. Specifically, you indicate that the activity in question, currently being carried out by a Section 570.204(c) subrecipient, is a first-time homebuyers program which permits participation of some homebuyers with incomes above the HUD Section 8 low- and moderate-income limits.

Section 907(b) of the National Affordable Housing Act of 1990 now makes it eligible for grantees to provide direct assistance to facilitate and expand homeownership among persons of low and moderate income without going through a Section 570.204(c) subrecipient. However, this provision requires that the beneficiaries of the direct homeownership assistance must be low- and moderate-income homebuyers. The statute specifies also that this homeownership assistance is not to be considered a public service subject to the 15 percent limitation for such services.

The new legislative amendment does not change the fact that CDBG funds used for income payments in other forms (i.e., down payments, mortgage assistance, etc.) when they are provided through any of the three types of subrecipients described in Section 570.204(c) and the criteria in Section 570.204(a) are also eligible. The subrecipient must be carrying out a neighborhood revitalization, community economic development, or energy conservation project, which has been determined by the grantee to be necessary or appropriate to achieve its community development objectives. The provision of such income payments through an eligible subrecipient under Section 570.204(c) is subject to the 15 percent public services limitation.

Down payment assistance undertaken by an eligible Section 570.204(c) subrecipient could be provided to persons above the Section 8 income limit provided the Section 570.204(a) criteria and a national objective are met. The Department views such down payment assistance as a public service activity, which would need to meet the national objective of low- and moderate-income benefit as a limited clientele activity under Section 570.208(a)(2).

Lastly, you asked whether an individual income payment is considered an activity unto itself, thereby requiring each recipient of the assistance to be of low and moderate income. Since the provision of down payment assistance is a public service, the whole program should be viewed as an activity that would require 51 percent of the beneficiaries to be low- and moderate-income persons.

If you have any questions about this policy interpretation, please contact the Entitlement Communities Division on FTS-458-1577.

cc:Linda Marston, SC

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