

Secretary's Legacy Challenge for Housing

Overview Webinar Questions

Is there an ability for a state to take advantage of this with their balance of state funds?

States can apply for Section 108 assistance and distribute the Section 108 funds to UGLGs. Like the CDBG program, projects are carried out by the UGLGs in non-entitlement areas.

If you apply for the Section 108 program, are you required to give up the normal annual CDBG allocation you receive and if so, for how long are you giving this allocation up?

No. CDBG allocations pledged as security for repayment of the guaranteed loan remain available for use on non-Section 108 activities unless other repayment sources (e.g., program income from the Section 108 project) are insufficient.

With this application timeline, would the actual loan be effective for 2026 CDBG?

Not necessarily. A state or local government can submit an application at any time for consideration. It is expected that Challenge participants will receive a loan guarantee commitment in Fiscal Year 2025, but the actual loan may be funded in Fiscal Year 2026.

Given the Challenge Timeline, should a grantee have a project ready to underwrite?

Not necessarily. If a state or local government wishes to apply for a loan pool, the application must only include underwriting guidelines.

Will these flexibilities be available to current grantees with existing loan pools?

Yes, you are still eligible. However, your available borrowing authority will be reduced by current 108 loan balances. Please see our website for estimated loan guarantee authority available.

Is new construction of housing units eligible with a CBDO?

New construction of housing by a CBDO can be eligible as part of a community economic development project. Please contact HUD in advance of an application that includes new housing construction by a CBDO.

Is adaptive reuse of a school/office structure into housing considered new construction or renovation?

Renovation of a school for housing is permissible as a rehabilitation activity.

Financing of new housing construction may be an eligible activity under limited circumstances. Please reach out to us for my guidance as to your specific proposal.

Can a redevelopment authority apply for a loan guarantee or does the applicant have to be a state or local government?

The CDBG recipient must be the applicant. However, the recipient may designate a redevelopment authority (or other public agency) to be the borrower.

Is there a standard letter or form we should use to express interest by the November 1st deadline?

There is no form for letter of interest. We will provide guidance and sample on our Section 108 and Legacy Challenge websites.

Is the historic tax credit just applicable to the federal level? Our SHPO (VA) explicitly informed me that they would not provide state historic tax credits with HUD funded projects

Equity obtained through Federal historic tax credits can be included as a funding source for a Section 108 project.. State tax credits may also be used, but such use is subject to any conditions or limitations imposed by the state. You are advised to work with our office to determine whether state tax credits can be used as a funding source on a case-by-case basis

Our state legislative session won't start before the November deadline, so any expression of interest would have to come from the administration without certainty that the legislative branch would authorize borrowing. Will that be sufficient?

Yes, that would be sufficient. Ultimately, however, the governing body of the applicant must authorize the submission of an application.

Are construction loans to developers eligible under the loan pool strategy?

This depends on the activity that the developer will be carrying out. Use of Section 108 financing as new housing construction loans is permissible only if HUD approves an application with new housing construction as an eligible activity. However, Section 108 funds can be used as construction financing for housing rehabilitation (e.g., a multi-family project).

Can a non-profit organization send a letter of interest without the municipal or state administration included?

Please work with your local government or state to submit the letter on your behalf with you as a subrecipient.

Are CHDO's eligible for these funds?

If they are classified as a subrecipient or CDBO under CDBG regulations.

Does approval timeline change based on whether we apply for a pool or a project specific loan?

There is no difference in the application process itself, but there may be some difference in the time required to approve. Generally, approval of applications incorporating the loan pool option may be faster than an application with a specific project identified.

What is the difference between a sub-recipient and a third party?

See 24 CFR 570.500(c) for definition of a subrecipient.

Is this for Tribal Governments as well?

Tribal Governments are not eligible applicants.

Do we need to lend to the 3rd party at the same rate or terms that we are borrowing the funds? Or can we build in our admin costs

A Section 108 recipient can lend to third parties at a rate higher than the Section 108 rate. This strategy is often used by Section 108 recipients making third party loans to provide a cushion against losses and/or to cover loan servicing costs. We can provide more detail on specific situations.

Are there added flexibilities specifically for the Legacy Challenge that don't exist with a standard Section 108 loan?

HUD is going to provide access to regulatory waivers and flexibilities that will be targeted to the Legacy Challenge. (However, any recipient can request HUD to waive a regulatory requirement and the request will be processed in accordance HUD requirements governing waivers.)

HUD will be providing more guidance on specific provisions, the waiver request process and timing, and acceptable good cause justifications in the near future.

Can individuals apply?

Individuals cannot apply for Section 108 loans. A CDBG recipient must be the applicant, although the recipient may provide assistance when authorized under the Section 108 regulations.

Can 100% of the project be funded through the loan?

Up to 100% of the project can be funded using a Section 108 loan, provided the borrower has enough loan authority to cover the project and loan guarantee fee. Generally, however, Section 108 is one of several sources of funds in the capital stack. Specific borrower loan authority can be located at (insert URL).

Can you provide an example of what financing terms would often look like for a 108 loan under the Legacy Challenge?

Financing can be for up to 20 years. Subject to compliance with underwriting standards to ensure the guaranteed loan can be repaid, HUD can allow for an initial interest only period and

flexible amortization during the repayment period . We will provide more information on this soon.

Where is the link to determine which local communities receive?

Find your CDBG grantee - <https://www.hudexchange.info/grantees/find-a-grantee/>