



March 11, 2024

The Honorable Marion McFadden  
Principal Deputy Assistant Secretary  
Office of Community Planning and Development  
U.S. Department of Housing and Urban Development  
451 Seventh Street, S.W.  
Washington, DC 20410

*RE: FR-6148-P-01 Submission for Community Development Block Grant Program, Consolidated Plans, and Indian Community Development Block Grant Program Changes*

Dear Principal Deputy Assistant Secretary McFadden,

The National Community Stabilization Trust (NCST) and the Homeownership Alliance are pleased to offer comments on the Notice of Proposed Rulemaking (NPRM) to revise the Community Development Block Grant (CDBG) and Section 108 loan guarantee programs.<sup>1</sup> NCST is a national nonprofit that supports families and communities by restoring distressed single-family homes, strengthening neighborhoods, and increasing sustainable and affordable homeownership opportunities.<sup>2</sup> To ensure NCST's policy recommendations are rooted in the practitioner perspective, we manage a nonprofit-led advocacy coalition called the Homeownership Alliance.<sup>3</sup> The mission of the Homeownership Alliance is to increase access to homeownership to narrow the racial wealth gap, improve access to long-term affordable housing, and revitalize disinvested communities without gentrification.

This NPRM serves as a welcome first step to enhancing the CDBG and Section 108 programs, but improvements are still needed for CDBG recipients to maximize funding and carry out all eligible activities as defined by statute.<sup>4</sup> **It is the fundamental belief of NCST and the Homeownership Alliance that if HUD seeks to maximize CDBG's capabilities to bolster economic development, the Department must ease existing regulations around the feasibility for recipients to use the program for homeownership purposes.**

### **Homeownership as a Tool for Economic Development**

For many, owning a home in the United States has been a central component in creating financial stability and accumulating wealth. This was especially clear in 2004, when the US homeownership rate reached its peak of 69.2%, and over two-thirds of American housing units were considered owner-occupied. Due to a number of factors – including but not limited to the major economic events like the Great Recession and COVID-19

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<sup>1</sup> [Submission for Community Development Block Grant Program, Consolidated Plans, and Indian Community Development Block Grant Program Changes](#), (March 2024). Federal Register.

<sup>2</sup> [Property Acquisition](#), (2024). NCST

<sup>3</sup> Established by NCST in 2021, the Homeownership Alliance is a practitioner-led coalition of 19 CDFIs and nonprofit housing developers serving 16 states, (2024). [The Homeownership Alliance](#).

<sup>4</sup> [42 U.S.C §5305](#). Activities eligible for assistance.

pandemic — the homeownership rate in the US has since fluctuated, and currently sits at 66%.<sup>5</sup> This decrease has been exacerbated by rising housing costs and a dwindling supply, particularly of affordable homes, yielding devastating implications for homeownership attainment.

Many Homeownership Alliance members can cite their on-the-ground work as key examples of homeownership spurring economic development, such as the Appalachian-based collaborative, Fahe.<sup>6</sup> The Housing Development Alliance (HDA),<sup>7</sup> a Fahe affiliate, successfully established the Hope Building program in 2018<sup>8</sup> to address the area’s employment needs while simultaneously filling the gaps in the housing and labor markets. Through this approach, HDA created paid, on-the-job construction training for individuals in recovery, where they were able to build skills and earn professional recommendations before entering the workforce. All the while, they were helping to construct new homes in moderate-income markets. Not only did this program help to bolster the local workforce shortage, but it also corrected much of the region’s local housing market failures through new home construction.

NCST has also effectively demonstrated how enabling homeownership can drive economic and financial mobility through its proven property acquisition programs. NCST’s First Look Program<sup>9</sup> provides community buyers with an exclusive opportunity to acquire properties before they are made available to the general public, with a built-in discount based on the seller saving the costs of marketing and maintenance. The program enables sellers to quickly dispose of their REO properties while also advancing their commitment to community revitalization and homeownership, with the majority of transactions ending up in the hands of owner-occupants. This approach, along with NCST’s exclusive REO Match Program,<sup>10</sup> has effectively returned over 28,000 distressed properties back to productive use and has revitalized underserved communities with large concentrations of distressed properties.

## Homeownership Alliance Reactions to the Notice of Proposed Rulemaking

### **A. *Low- and Moderate-Income Criteria—Creating or Retaining Jobs, Question #1: Would the proposed regulations [of requiring recipients to use poverty rates based on American Community Survey (ACS) data, instead of only from the most recently available decennial census] encourage recipients to increase their use of funds for economic development activities?***

NCST and members of the Homeownership Alliance support this proposal, primarily due to the frequency of the data collection provided by the ACS in comparison to the decennial census. This change would ensure a more accurate calculation of poverty rates across communities.

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<sup>5</sup> [Homeownership Rate Dips in Fourth Quarter Amid Housing Affordability Woes](#), (Jan 2024). National Association of Home Builders.

<sup>6</sup> Fahe represents a network of 50+ nonprofits across the Appalachian portion of Kentucky, Tennessee, West Virginia, Virginia, Alabama, and Maryland, using their expertise in finance, collaboration, innovation, advocacy, and communication to achieve a more prosperous Appalachian region, (2024). [About](#).

<sup>7</sup> Housing Development Alliance, Inc. is a non-profit affordable housing developer located in Eastern Kentucky. (2024). [Home](#).

<sup>8</sup> [Economic Rebound and Addiction Recovery: A Case Study on the Housing Development Alliance’s Hope Building](#), (2021). Fahe.

<sup>9</sup> [Property Acquisition](#), (2024). NCST.

<sup>10</sup> REO Match links financial institutions with real-estate-owned (REO) properties (Sellers) to mission-focused housing developers (Buyers), who rehabilitate these homes to stabilize neighborhoods and provide opportunities for affordable homeownership and rental (2024). [Property Acquisition](#).

**B. *Prevention or Elimination of Slums or Blight, Question #2: Relative to the current requirements, would the proposed revision of removing the requirement that rehabilitation activities be limited to eliminating conditions detrimental to public health and safety encourage recipients to carry out activities in underserved and blighted communities?***

Our members support HUD’s proposal to expand the criteria for activities that address slums and blight and believe this would incentivize CDBG recipients to undertake more initiatives in economically distressed areas. However, we believe the Department can go further to evaluate and reform existing regulations that continue to hinder program participation in underserved communities - particularly as they relate to homeownership activities.

**C. *Criteria for National Objectives—Meeting a National Objective, Appropriate Data Source, Question #9: HUD is proposing to add a time period for CDBG-assisted activities to meet one of the three national objectives. Is six years from the initial drawdown of CDBG funds an adequate time period to demonstrate that activities have met a national objective?***

Members agree that six years is sufficient for CDBG-assisted activities to meet a national objective. In fact, many members who have received CDBG funding have reported an average timeline of two to three years to complete their project from the initial drawdown of funds. It is also important to note that timeliness concerns are often related to the disbursement of funds from the participating jurisdictions (PJs). As such, HUD should encourage these entities to allocate the funds in a timely manner to avoid any delay or violation of timelines.

In addition to the specific responses above, the NCST and the Homeownership Alliance have general feedback on expanding Section 108 and lessons learned from CDBG CARES Act (CDBG-CV) grantmaking:

- **Broad Challenges with Section 108:** Our members have experienced difficulty in using Section 108, pointing specifically to the risk held by local governments should the loan default. The Pittsburgh Community Reinvestment Group (PCRG)<sup>11</sup> used Section 108 for a local project revitalizing a predominantly Black neighborhood. This initiative was successful and brought over 240 jobs to the area, but the organization encountered several obstacles with Section 108.

PCRG requested a \$10 million pledge from the city in order to create a guarantee in the leverage loan process. In the end, the loan was repaid, but had the loan defaulted, the city would have lost \$10 million from its CDBG allocation. We urge HUD to provide further clarity on the risk and pose best practices when training PJs on the usability of Section 108. This will allow all stakeholders to understand and mitigate risk on the front end, avoiding a disincentive to use this innovative method of community development financing.

- **Expanding Section 108 eligible uses in the event of a natural disaster:** An efficient way to maximize usage of Section 108 is for HUD to enable closer collaboration of community development financial institutions (CDFIs) delivering Section 108 funds, and to also allow for expedited approval for

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<sup>11</sup> PCRG is a nonprofit membership organization of community development corporations (CDCs), community-based organizations (CBOs) and community service groups in western Pennsylvania. PCRG works to promote equity in financial lending practices, land use and vacant property, transit, and infrastructure (2024). [Mission and History](#).

Section 108 loan funds when used in conjunction with the CDBG-Disaster Recovery Program (CDBG-DR).

CDFIs are well suited to help CDBG-DR grantees leverage private capital to help start the recovery process for a community soon after a disaster. Many CDFIs have the proven capability to offer a variety of unique products that can quickly garner private funds for this very purpose. These entities would need assurance of a guarantee, and Section 108 could in turn play a more prominent role in recovery-based scenarios. This would ensure a quicker and more immediate response to disaster areas, and would also increase overall usage of Section 108 programs in economically-distressed areas who are often in most need post-disaster.

- **Lessons learned from CDBG-CV.** The COVID-19 pandemic and subsequent relief programs shed light on the inequities faced by LMI and other underserved populations across the country. Due to the broad waiver authority provided in much of the Department's pandemic-era programming, CDBG-CV recipients - including some Homeownership Alliance members - can confidently recommend appropriate regulatory easements to improve the quick and efficient expenditure of funds.

For example, Intend Indiana used CDBG funding to supplement an affordable mortgage program.<sup>12</sup> The city of Indianapolis, however, informed the organization that their source of funding would be transferred to a different project-source in the city. This transition took place amid the pandemic, and as a result, Intend Indiana was granted around \$1.3 million in CDBG-CV funding which was used to generate new homeownership construction in Indianapolis. The organization's leadership reported that red tape was significantly reduced, which allowed them to carry out these projects more quickly and efficiently.

### **Additional Regulatory Recommendations to Improve CDBG for Homeownership**

In addition to the above recommendations, NCST and the Homeownership Alliance propose 7 additional regulatory reforms to increase the number of affordable homes produced and sold to LMI households using CDBG. As HUD seeks immediate opportunities to expand homeownership through CDBG through its existing administrative authorities, we urge HUD to work with Congress and modernize CDBG's outdated statutory framework overall. Our recommendations are as follows:

1. ***Issue updated, single-source, web-based guidance and training on all eligible homeownership uses of CDBG and Section 108 for all grantees, field offices, and partners.***

Members have cited instances of confusion surrounding eligible uses of the CDBG program. While we appreciate HUD releasing updated guidance on the program's eligible uses, particularly the clarifications surrounding manufactured housing,<sup>13</sup> HUD can go further to communicate those activities and identify national

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<sup>12</sup> Intend Indiana is a non-profit organization that works to advance comprehensive community development through innovative financing and development solutions that create and preserve affordable housing, support neighborhood revitalization efforts, and foster small business development. (2024). [About](#).

<sup>13</sup> [Notice CPD-2023-10: Use of Community Development Block Grant \(CDBG\) Program Funds in Support of Housing](#), Page 6, (Oct 2023). HUD.

best practices for grantees and subgrantees seeking greater clarity on how to apply these funds for homeownership activities.

Moderating informative webinars, issuing fact sheets that are easily-digestible, and ensuring HUD program staff is available to answer clarifying questions in a timely manner will instill confidence and capacity among CDBG and Section 108 recipients. Specific materials identifying national best practices for designing an efficient homebuyer assistance/ purchase assistance program using CDBG, as well as Section 108 for rehabilitation and other development activities, would significantly ease the confusion faced by housing practitioners seeking resources to add to the nation's diminishing availability of affordable homes.

We suggest HUD make such training and guidance documents available as soon as possible, and also encourage the Department to highlight these resources around the time that it plans to issue awards for the annual CDBG allocations. This way, all eligible activities for use are top of mind for PJs as they design their consolidated plans and prepare to roll out funding.

**2. Provide flexibility and relief on household income limits for threshold eligibility and allow the use of alternative income calculation methods.**

Whether on the development or homebuyer assistance side, it is increasingly difficult to use CDBG to support LMI homeownership in many markets today. While the CDBG statute requires households to have incomes at or below 80% of AMI to qualify, Homeownership Alliance members assert that home prices across markets have risen beyond what most families at or below this limit can afford based on standard affordability and mortgage qualification ratios. Additionally, rising home prices exacerbated by interest rates and construction costs are making homes less accessible and affordable to households at and below 80% AMI.

Even when CDBG is used to provide various forms of direct purchase assistance (e.g., interest rate and principal reduction, closing costs, private mortgage insurance premiums), an LMI buyer can still be left with a hefty down payment and/or financing gap and may not be able to close on a home purchase. Mission-driven entities could help more LMI households attain homeownership if HUD and Congress provided relief on the existing income limits and additional flexibility on income calculation methods and related standards for homeownership activities.

Specifically, HUD should base income limits on a four-person household minimum which would benefit smaller households, especially first-time homebuyers. Additionally, Congress and HUD should allow CDBG grantees to use *geography-based income eligibility standards*, including the *presumption of LMI status*, as alternatives to the household-specific income test. As described below, these and similar practices are already permitted for other activities under the existing statute, and we have included specific recommendations wherein these permissions can be expanded to include homeownership:

- **Job creation or retention activities.** CDBG can fund an activity designated to create or retain permanent jobs where at least 51% of the positions involve the employment of LMI persons.<sup>14</sup>

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<sup>14</sup> [24 CFR 570.208\(a\)\(4\)](#). Criteria for national objectives. Activities benefiting low- and moderate-income persons. Job creation or retention activities.

- **Limited clientele activities.** CDBG can pay for certain activities that benefit a limited number of people as long as at least 51% of those served are LMI persons.<sup>15</sup>
  - *Homeownership Alliance recommendation:* We urge HUD to consider applying the same presumption of eligibility found both in Job creation and Limited clientele activities to homeownership activities benefitting a resident in an LMI census tract.
- **Housing activities.** Current statute and regulations allow CDBG to subsidize new construction, non-elderly, and multifamily rental housing developments when various conditions are met.<sup>16</sup>
  - *Homeownership Alliance recommendation:* The dire condition of the nation's affordable housing supply justifies the need to expand subsidized construction beyond the existing limitations. We call on HUD to collaborate with Congress to expand this subsidy eligibility to include single-family, owner-occupied developments.
- **Public services.**<sup>17</sup> As a public service activity, grantees can provide homebuyer assistance, including to non-LMI households, if the home to be purchased is located in a HUD-approved neighborhood revitalization strategy area (NRSA), and at least 51% of all assisted units in the NRSA are LMI occupied. Additionally, when funded as a public services activity, the amount of down payment assistance provided can exceed the 50% statutory cap that otherwise applies.<sup>18</sup>
  - *Homeownership Alliance recommendation:* We recommend this eligibility be expanded beyond NRSAs.

In general, our organizations assert that revitalizing disinvested communities requires promoting income diversity and developing a vibrant middle class - as opposed to perpetuating the concentration of poverty and racial segregation. From an equity standpoint, limiting CDBG assistance only to the lowest incomes that could possibly access homeownership amid current market conditions does exactly that: locking moderate-income families out of resources to access upward economic trajectory and wealth-building.

This runs counter to both the equity objectives set by NCST and the Homeownership Alliance, as well as the Biden-Harris Administration's Executive Order 'Advancing Racial Equity and Support for Underserved Communities Through the Federal Government'.<sup>19</sup> As interest rates, mortgage rates, and home prices continue to rise, homeownership will continue to be inaccessible for more and more Americans, particularly aspiring homeowners of color. Increasing the AMI cap overall to 120% would help redress this widening homeownership gap and promote sustainable revitalization and income diversity in both LMI areas and communities of color.

Through robust stakeholder engagement, the Department should assess which alternatives can best expand eligibility and include homeownership, or become more widely applied wherein homeownership is already an eligible activity. We strongly urge HUD to coordinate with Congress in making necessary income level

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<sup>15</sup> [24 CFR 570.208\(a\)\(2\)](#) Criteria for national objectives. Activities benefitting low- and moderate-income persons. Limited clientele activities.

<sup>16</sup> [24 CFR 570.208\(a\)\(3\)\(i\)\(A\)](#). Criteria for national objectives. Activities benefitting low- and moderate-income persons. Housing activities. When less than 51% of the units in a structure will be occupied by LMI households, CDBG may reduce the development cost of the new construction of a multifamily, non-elderly rental housing project.

<sup>17</sup> [24 CFR Section 570.201\(e\)](#). Basic eligible activities. Public services.

<sup>18</sup> [Notice CPD-2023-10: Use of Community Development Block Grant \(CDBG\) Program Funds in Support of Housing](#). Page 6. (Oct 2023). HUD.

<sup>19</sup> [Executive Order 13985](#), (Jan 2021). Executive Office of the President.

reauthorizations, resulting in a program that better supports LMI homeowners as an allowable use of funds per CDBG's authorizing statute.

### **3. *Develop a unified definition for 2-to-4 unit residential properties that aligns with the FHA program definition.***

For the purposes of home repair programs - including energy and accessibility, retrofit, lead abatement, lead service line replacement and flood remediation - we call on HUD to standardize the definition for 2-4 unit residential properties in alignment with FHA's definition. CDBG regulations currently define privately-owned, residential properties with two-to-four units as Multi-Unit Residential.<sup>20</sup> FHA defines these same properties as Single Family Residential with two (or three or four) individual dwelling units.<sup>21</sup> This discrepancy makes data collection and record keeping exceedingly onerous for recipients, particularly when a property is assisted using both financing mechanisms.

Furthermore, the Integrated Disbursement and Information System under CDBG requires that when reporting on buildings with two or more permanent, residential units (multi-units), the reporting entity must indicate the income of rental units in order to track the requirement that 51% of the beneficiaries are LMI. This can cause major challenges, as it is difficult to obtain a tenant's personal income and financial information when they are not direct applicants or recipients of the program, as is the case for the owner-occupant. As such, HUD should adopt a more unified definition of such properties as Single Family Residential with 1-to-4 units, and only require reporting based on the owner-occupant's household income and demographics.

### **4. *Streamline CDBG compliance and reporting requirements.***

Several members of the Alliance have described the CDBG compliance and reporting requirements for acquisition-only and acquisition + rehab development as overly-complex and burdensome. Specifically, members have pointed to the environmental review screenings and Davis-Bacon process as being particularly onerous, and as a result many have restricted their use purely to homebuyer assistance.

Mission-driven developers are struggling now more than ever to access housing development subsidy dollars, thereby exacerbating our devastated housing stock. In order to capitalize on this resource and effectively increase the amount of construction and rehabilitation under the CDBG program, HUD should review and streamline reporting and compliance requirements to allow for a greater degree of flexibility on the development side, with an ultimate goal of increasing supply.

- **Environmental reviews.** HUD could further relieve administrative burden by permitting local governments to allow subgrantees and consultants to complete and certify environmental reviews, rather than direct recipients alone.<sup>22</sup> <sup>23</sup> For example, in Chicago where thousands of demolition, home repair, blight clearance, open space, rehabilitation, and development projects exist, major backlogs often occur as entities await the environmental review clearance, stalling the execution of these critical

<sup>20</sup> [Appendix A: CDBG Matrix Code Definitions](#), Pages A-11 and A-12, (March 2019). HUD.

<sup>21</sup> [How does FHA define the number of units in a property?](#) (2024). HUD.

<sup>22</sup> [24 CFR 58.2 \(a\)\(7\)](#). Terms, abbreviations and definitions. Responsible entity.

<sup>23</sup> [24 CFR 58.4 \(a\)](#). Assumption authority. Responsible entities shall assume the responsibility for environmental review, decision-making, and action that would otherwise apply to HUD under NEPA.

projects. If local governments could allow subgrantees and consultants to complete and certify these reviews, this backlog could be widely reduced or eliminated entirely.

- **Davis-Bacon.** Davis-Bacon requirements are triggered for projects with eight or more separate, contiguous units operated by a single entity as a single project - a threshold that has not been adjusted for decades. This raises a particular issue for single-family development wherein units are attached, like row homes. We therefore recommend this threshold be increased, as such an action would greatly reduce the cost and complexity of building and rehabilitating homes, thereby increasing affordability. NCST and the Homeownership Alliance appreciate DOL's Davis-Bacon Initiative, DBI21, launching a stakeholder-informed evaluation of existing Davis-Bacon policies, processes, and practices.<sup>24</sup> We urge HUD to remain in close contact with their partners in the U.S. Department of Labor as regulatory and statutory barriers to construction are assessed and eased.

**5. Review and update guidance on grant disbursement / reimbursement policies to reduce payment delays.**

Alliance members that have served as CDBG subrecipients report HUD's reimbursement delays as a significant pitfall of the program. At times, some organizations had to tie up substantial amounts of working capital as float for CDBG pass-through funds and to cover eligible grant administration expenses while awaiting reimbursement payments over extended time periods. In fact, a member of the Alliance cited having to float approximately \$1 million over a 24-month period, causing severe financial difficulty during an important home repair.

Unfortunately, some members have avoided CDBG entirely due to the complicated red tape surrounding this issue. Due to the time it takes for payments to process and the regular delays in reimbursements, the Department should clarify to PJs that HUD does not require that grants to subrecipient grantees are reimbursement based, and investigate any further guidance needed to avoid reimbursement issues of this nature in the future.

**6. Address burdensome requirements to Homeownership Assistance, including seeking Congressional authority to waive or remove the 50% Down Payment Assistance cap.**

A major impediment for many creditworthy LMI families seeking to buy a home is the lack of adequate savings. This challenge is particularly true for LMI households of color and first-generation homebuyers who often do not have family wealth or other inherited resources. Unfortunately, existing CDBG statute, regulation, and subregulatory guidance caps DPA at 50% of the amount required by the lender.<sup>25</sup> This limit does not apply to other forms of purchase assistance, including when CDBG is layered into a transaction as a principal reduction. To enable more LMI households to attain homeownership through CDBG, HUD should seek Congressional authority to waive or lift this cap.

In the meantime, HUD should urge all CDBG grantees to award the maximum amount of Direct Assistance / Purchase Assistance for which households qualify and need. Homeownership is easier to sustain when families do not have to deplete all of their savings to purchase a home, and can instead retain and build

<sup>24</sup> [Davis-Bacon Initiative \(DBI21\)](#), (2024). U.S. Department of Labor

<sup>25</sup> [24 CFR Section 570.201\(n\)](#). Basic eligible activities. Homeownership assistance.

additional savings for maintenance, upkeep, repairs and unanticipated events over time. We recommend this element be included in any future guidance and training for CDBG grantees as HUD considers changes and makes updates to the respective materials.

The CDBG statute bodes problematic for organizations seeking to use CDBG to subsidize mortgages.<sup>26</sup> For example, Intend Indiana used this provision to develop a mortgage purchase program in collaboration with bank partners who applied the organization’s underwriting criteria, originated the loans, and sold the below-market loans to the organization. Intend Indiana used CDBG to purchase the loans for several years until a change in personnel occurred at the PJ level. At that point, the PJ and HUD’s local field office determined this activity no longer constituted “direct” assistance, seeing as the funds did not go directly to the homebuyer. This distinction is viewed as trivial in the eyes of the organization - even if Intend Indiana directly made the loan to the borrower, the CDBG funds would go to the seller of the home.

As such, we urge HUD to engage its local field offices and provide further clarification or emphasis on “facilitate”, as noted in the statute,<sup>27</sup> to PJs and subrecipients, which would allow for more innovative applications of CDBG, while also encouraging organizations like Intend Indiana to work collaboratively with financial institutions. This coalescence is particularly important in a high interest rate environment and for credit-worthy borrowers who would not otherwise meet the desktop underwriting criteria.<sup>28</sup>

### **7. Including implications for rural communities in CDBG regulatory action.**

Our final recommendation relates to the surprising and alarming exclusion of rural communities in this rulemaking. The Department asserts that this NPRM is proposing CDBG and 108 changes to better align with the recent Executive Orders (EOs) put out under the Biden Administration, including Executive Order 14091.<sup>29</sup> This EO, however, explicitly outlines the need to create economic opportunity in America’s rural regions, and specifically calls on agencies to undertake efforts that better help rural areas access federal resources. Despite this, rural communities are not mentioned once in this proposed rule and the NPRM consistently refers to CDBG funding as a mechanism used to develop “viable urban communities” - an important population to serve, but this verbiage discounts non-metro areas entirely. HUD must consider and prioritize changes supporting rural communities into the final rulemaking, and also address the geographic inequities that arise from small, rural towns seeking to compete for state-level funding.

In conclusion, enabling affordable and sustainable homeownership opportunities for historically underserved communities in urban, suburban, rural, and tribal areas has the proven ability to untap economic potential. By expanding on this NPRM and incorporating the above suggestions, HUD can enhance economic development

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<sup>26</sup> [42 U.S.C. 5305\(a\)\(24\)\(D\)](#). Activities eligible for assistance. The statute allows for the provision of direct assistance to facilitate and expand homeownership among persons of low and moderate income, including up to 50% of any down payment required from an LMI homebuyer.

<sup>27</sup> It is also important to note the “or” between 42 U.S.C. 5305(a)(24)(D) and 42 U.S.C. 5305(a)(24)(E) of the authorizing statute, and how that has been misinterpreted by HUD field offices and PJs to mean homebuyers can receive 50% of DPA required *or* pay reasonable closing costs.

<sup>28</sup> HUD can also alert Congress to the advantage of expanding the provision in 42 U.S.C. 5305(a)(24)(A) which currently allows grantees to “subsidize interest rates and mortgage principal amounts for low- and moderate-income homebuyers”. Opening this provision’s eligibility to any loan or program that benefits LMI homebuyers, directly or indirectly, would remove much of the confusion currently experienced by PJs and subrecipients when seeking to subsidize mortgages. A carveout for loans or loan programs provided by CDFIs would also be tremendously beneficial.

<sup>29</sup> [Executive Order on Further Advancing Racial Equity and Support for Underserved Communities Through The Federal Government](#), (Feb 2023). The White House.



in communities across the country through supporting homeownership, while also upholding the mission of the President's action plan to boost America's supply and lower extraneous housing costs.<sup>30</sup>

Our entities stand ready to further collaborate with the Department as these changes are considered. For any questions or points of clarification, please contact NCST's Director of Homeownership Alliance, Elisabeth Coats, at [ecoats@ncst.org](mailto:ecoats@ncst.org). We thank the Department for its consideration of our recommendations.

Sincerely,

The National Community Stabilization Trust

The Homeownership Alliance

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<sup>30</sup> [FACT SHEET: President Biden Announces Plan to Lower Housing Costs for Working Families](#), (March 2024). The White House.