



ASSISTANT SECRETARY FOR  
COMMUNITY PLANNING AND DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

**CORRESPONDENCE NO. 4**  
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Friday, April 2, 2010

Mr. Jeff Grover  
1010 Tenth Street  
Suite 6500  
Modesto, CA 95354

Dear Mr. Grover:

On behalf of Secretary Donovan, the Department would like to acknowledge you for your hard work in administering Neighborhood Stabilization Program formula funds (NSP1). NSP1 grantees across the country are working to fight the foreclosure crisis and protect neighborhoods from decline and many are making substantial progress in the effort to stabilize neighborhoods and improve the economy.

The purpose of this letter, however, is to draw your attention to activities targeted to families at the lowest income levels and which are of particular importance to the NSP1 program. Specifically, the Housing and Economic Recovery Act of 2008 (HERA) requires that no less than 25 percent of NSP1 grant funds be used for the purchase and redevelopment of abandoned or foreclosed-upon homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of area median income. In accordance with the requirements of the NSP1 Notice (73 FR 58330, October 6, 2008), your jurisdiction certified that it would comply with the requirement to obligate *all* NSP1 funds within 18 months of receiving your grant, which includes the obligation of funds to benefit these specific households. Your jurisdiction also certified that it will comply with applicable laws.

Based on data entered into HUD's Disaster Recovery Grant Reporting (DRGR) system, your jurisdiction has been identified as being at risk of not meeting this critical requirement. As of March 30, 2010, only 9.1% had been obligated to meet your 25 percent requirement.

HUD will ensure strict compliance with the obligation rule by monitoring all NSP1 expenditures and obligations recorded by grantees in DRGR leading up to and immediately following the 18 month mark. If a grantee does not obligate the appropriate amount of funds (as designated in the grantee's grant agreement) for these activities, HUD may restrict the amount of unused funds in the grantee's line of credit, require the grantee to submit additional information concerning timely expenditures and obligations not recorded in DRGR, and vigorously pursue appropriate remedies, which may include legal action under the False Claims Act, 31 U.S.C. § 3729-3733, on the basis of any false certifications and claims. All NSP1 funds must be expended within four years of receipt.

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If you have any questions about how to comply with NSP1 requirements or need technical assistance, please contact your local field office immediately or go to the NSP Resource Exchange at <http://hudnsphelp.info>.

Sincerely,

A handwritten signature in black ink, appearing to read "Mercedes Márquez". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mercedes Márquez  
Assistant Secretary

cc: NSP Program Manager