Acknowledgment of Application Receipt

U.S. Department of Housing and Urban Development

Date of Receipt: 07/17/2009
Application Due Date: 07/17/2009

0234

Ms. Anne Chaney
Commonwealth of Kentucky: Department for Local Government
1024 Capital Center Drive
Suite 340
Frankfort, KY 40601

Name of the Federal Program to which the applicant is applying: ***Neighborhood Stabilization 2nd-Consortium***

To Be Completed by HUD

☑ HUD received your application by the deadline and will consider it for funding. In accordance with Section 103 of the Department of Housing and Urban Development Reform Act of 1989, no information will be released by HUD regarding the relative standing of any applicant unitl funding announcements are made. However, you may be contacted by HUD after initial screening to permit you to correct certain application deficiencies.

☐ HUD did not received your application by the deadline; therefore, your application will not receive further consideration. Your application is:

- ☐ Enclosed
- ☐ Being sent under separate cover

CPD HUD Processing and Control Unit

RECEIVED
AUG 03 2009
Office of Federal Grants

Kentucky NSP2 Consortium
ID# 424285668

OMB Number: 4040-0004
Expiration Date: 01/31/2009

Application for Federal Assistance SF-424 Version 02

*1. Type of Submission:	*2. Type of Application	* If Revision, select appropriate letter(s)
☐ Preapplication	■ New	
■ Application	☐ Continuation	*Other (Specify)
☐ Changed/Corrected Application	☐ Revision	

3. Date Received: 4. Applicant Identifier:

5a. Federal Entity Identifier: | *5b. Federal Award Identifier:

State Use Only:

6. Date Received by State: | 7. State Application Identifier:

8. APPLICANT INFORMATION:

*a. Legal Name: Commonwealth of Kentucky: Department for Local Government

*b. Employer/Taxpayer Identification Number (EIN/TIN): | *c. Organizational DUNS: 007002959

d. Address:

*Street 1: 1024 Capital Center Drive
Street 2: Suite 340
*City: Frankfort
County: Franklin
*State: Kentucky
Province:
*Country: USA
*Zip / Postal Code 40601

e. Organizational Unit:

Department Name: Department for Local Government | Division Name: Office of Federal Grants

f. Name and contact information of person to be contacted on matters involving this application:

Prefix: Ms. *First Name: Anne
Middle Name:
*Last Name: Chaney
Suffix:

Title: Neighborhood Stabilization Program Manager

Organizational Affiliation: Department for Local Government

*Telephone Number: 502-573-2382	Fax Number: 502-573-1519
*Email: Anne.Chaney@ky.gov	

OMB Number: 4040-0004
Expiration Date: 01/31/2009

Application for Federal Assistance SF-424 Version 02

***9. Type of Applicant 1: Select Applicant Type:**

A. State Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

*Other (Specify)

***10 Name of Federal Agency:** U.S. Department for Housing and Urban Development

11. Catalog of Federal Domestic Assistance Number:

14.256

CFDA Title:

Neighborhood Stabilization Program

***12 Funding Opportunity Number:**

FR-5321-C-01

*Title:

Neighborhood Stabilization Program

13. Competition Identification Number:

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Russell County, Boone County, Kenton County, Campbell County, Gallatin County, Grant County, Pendleton County; the cities of Ashland, Covington, Bromley, Ludlow, Newport, Bellevue, Dayton, Owensboro, and Greensburg; Kentucky Housing Corporation, Newport Millennium Housing Corporation; the Housing Partnership, Inc.; Community Ventures Corporation; Pennyrile Area Development District; and the Department for Local Government.

***15. Descriptive Title of Applicant's Project:**

The NSP2 application will address
- Targeting and reconnecting neighborhoods. Funds will be invested in programs and projects that revitalize targeted neighborhoods and reconnect them with the economy, housing market, and social networks of the community and area as a whole
- Rapidly arrest decline. Funds will support NSP2 uses and activities that rapidly arrest the decline of a targeted neighborhood(s) that has been negatively affected by abandoned or foreclosed properties.

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16. Congressional Districts Of:

*a. Applicant: All *b. Program/Project: KY

17. Proposed Project:

*a. Start Date: March 1, 2010 *b. End Date: February 28, 2013

18. Estimated Funding ($):

*a. Federal	$56,804,909
*b. Applicant	
*c. State	
*d. Local	
*e. Other	$35,789,000
*f. Program Income	
*g. TOTAL	$92,593,909

***19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

☒ a. This application was made available to the State under the Executive Order 12372 Process for review on 7/1/2009

☐ b. Program is subject to E.O. 12372 but has not been selected by the State for review.

☐ c. Program is not covered by E. O. 12372

***20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)**

☐ Yes ☒ No

21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)

☒ ** I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions

Authorized Representative:

Prefix: Mr. *First Name: Tony

Middle Name:

*Last Name: Wilder

Suffix:		
*Title: Commissioner		
*Telephone Number: 502-573-2382	Fax Number: 502-573-1519	
* Email: Tony.Wilder@ky.gov		
*Signature of Authorized Representative:		*Date Signed: 7-15-09

Authorized for Local Reproduction

Standard Form 424 (Revised 10/2005)
Prescribed by OMB Circular A-102

OMB Number: 4040-0004
Expiration Date: 01/31/2009

Application for Federal Assistance SF-424	Version 02

***Applicant Federal Debt Delinquency Explanation**

The following should contain an explanation if the Applicant organization is delinquent of any Federal Debt.

Kentucky NSP2 Consortium
Proposal and Request for Funding
Application ID # 424285668

Eligible applicant information

The KYNSP2 Consortium has designated the Commonwealth of Kentucky's Department for Local Government (DLG) to serve as the lead entity for the 11-member Kentucky NSP 2 Consortium; DLG is the administrative agency for $37.4 million in NSP1 funding as well. DLG is an eligible NSP2 applicant as a state government entity and will assume all responsibility for completing the requirements of 24 CFR Part 58. (In fact, five-year tiered monitoring strategies for NSP1 were performed on a county- or multi-countywide basis and specifically cited use of NSP1, NSP1 program income, NSP2 and NSP2 program income, so Part 58 requirements have already been met for more than 50% of the KYNSP2 areas.)

The KYNSP2 Consortium members other than DLG are: Kentucky Housing Corporation (state housing finance agency); the cities of Covington, Owensboro, Greensburg and Ashland; Russell County Fiscal Court; and nonprofits The Housing Partnership, Community Ventures Corporation (also a CDFI), Newport Millennium Housing II, and the Pennyrile Area Development District. No listed entities are the lead applicant on more than one NSP2 proposal, nor are any Kentucky NSP2 Consortium members an applicant under more than one NSP2 proposal.

All members of the Consortium have entered into a legally-binding consortium agreement **(Attachment 1)** through which each agrees to cooperatively carry out the NSP2 program upon HUD's funding approval, with DLG acting in a representative capacity for all members and assuming overall responsibility for ensuring that the KYNSP2 Consortium's program is carried out in compliance with all NSP2 requirements.

Threshold requirements

The KYNSP2 Consortium is requesting $56,804,909 in NSP2 funds to address 951 properties, including 250 (21% of total) that are foreclosed and will be assisted under Eligible Use A; 565 (61%) that are foreclosed or abandoned and will be assisted under Eligible Use B; 25 (1%) that are blighted under Kentucky Revised Statute definition and will be demolished under Eligible Use D; and 111 (18%) that are vacant and will be redeveloped. Of these, less than 100 units potentially are located in rural areas of the state outside of metropolitan or micropolitan statistical areas. More than 95% of the targeted housing is comprised of foreclosed, abandoned or vacant single family homes that will be returned to productive use, primarily via homeownership activity. In all cases, NSP2-funded activity mitigates the negative effects of foreclosed, abandoned or vacant housing within specified neighborhoods to ensure that each is stabilized and reconnected with the community and local economy.

No NSP2 funds will be used for ineligible purposes. Approximately $14.4 million of the requested funds (25.33% of the total request, and 27.86% of the "project" – non-administrative – funds) will be used rehabilitate foreclosed or abandoned property for either homeownership or rental occupancy by households with incomes at or below 50% of area median.

All consortium members are in compliance with the Fair Housing and civil rights laws contained in the General Section at Section III.C.2.c. Further, the KYNSP2 Consortium has complied with and completed the citizen participation requirements as required by the NOFA **(see Attachment 2).** The KYNSP2 Consortium's definitions and standards are in **Attachment 3.**

As delineated within narrative portions of this proposal and affirmed through the NSP2 mapping tool/application number generation process, members of the KYNSP2 Consortium reaffirm that they have the required organizational capacity (production of at least 75 units of each proposed activity) within the 24-month period immediately preceding the NOFA (5/4/09).

The KYNSP2 Consortium's geographic need has an average foreclosure/vacancy score of the targeted geographies meets or exceeds 18.00. Further, all activities meet the CDBG national objective of assistance to low- and moderate-income households, with the superseding requirement that all of the NSP funds will be used to benefit individuals and families whose income does not exceed 120% of area median.

Applicant contact information

- Mr. Tony Wilder, Commissioner, DLG, (502) 572-2382, extension 296; tony.wilder@ky.gov
- Ms. Lynn Travis Littrell, Executive Director, DLG, Office of Federal Grants, (502) 572-2382, extension 270; lynn.litrell@ky.gov
- Ms. Anne Chaney, NSP Program Manager, DLG, Office of Federal Grants, (502) 573-2382, extension 235, anne.chaney@ky.gov
- Department for Local Government, Suite 340, 1024 Capital Center Drive, Frankfort, KY 40601; website: http://dlg.ky.gov/ ; NSP2 website (link from DLG site): http://dlg.ky.gov/grants/federal/Neighborhood+Stabilization+Program+II.htm

I. Factor One: Need/Extent of the Problem

A. TARGET GEOGRAPHY

Specific geographies

The specific geographies in which the KYNSP2 Consortium will undertake activities is included as **Attachment 4**, by Census tract, showing each area's two neighborhood stabilization index scores. The average of the higher of the two scores is 18.27. The target areas are located in Census tracts in counties within six metropolitan areas, one micropolitan area, and two rural counties most heavily impacted by foreclosed/abandoned property and/or vacancy:

- **Jefferson and Bullitt counties in the Louisville-Jefferson metropolitan statistical area**, the portion of the state that accounts for more than 25% of all foreclosures in Kentucky. The Housing Partnership, Inc., a NeighborWorks America ® and Housing Partnership Network member, will acquire, rehabilitate and resell foreclosed and abandoned single family homes in several destabilized neighborhoods in Jefferson County: California, Cane Run, Fairdale, Newburg, Park Hill, Portland, and Shively and Valley Station. It will also address the Vine Grove, Radcliff and north Elizabethtown areas of Hardin County, the core of the Elizabethtown KY metropolitan statistical area. The Hardin County communities have been devastated by US military deployments (Vine Grove and Radcliff adjoin Ft. Knox military base, and Elizabethtown is a commuter community to Ft. Knox). HPI will also work in Bullitt County in the Mt. Washington, Hillview and Cedar Grove communities, also adjacent to Ft. Knox.
- **Campbell, Boone, Kenton, Pendleton, Gallatin and Grant counties and the municipalities therein**, which comprise the southern portion of the Cincinnati-Middletown OH MSA (northern Kentucky). The City of Covington is the KYNSP2 Consortium member for this area – it the participating jurisdiction for the northern Kentucky HOME Consortium and is a CDBG entitlement area. It will be responsible for NSP2 program funds invested in northern

Kentucky through the KYNSP2 Consortium, primarily in the communities of Covington, Florence, Burlington, Ft. Thomas, Bellevue, and Dayton. Newport Millennium Housing Corporation III will address foreclosed housing within the City of Newport. Together, these areas account for just over 15% of the overall volume of foreclosed housing in Kentucky.

- **Fayette County, which comprises the Lexington-Fayette metropolitan statistical area, and Franklin and Scott counties, which are part of the Lexington-Fayette combined statistical area.** Together, these 3 counties account for approximately 7% of foreclosures in Kentucky. Work in these areas will be performed by Community Ventures Corporation, and will be focused on the acquisition, rehabilitation and resale of foreclosed/abandoned single family homes. In Lexington, CVC will focus on the community's north end – an area of minority concentration, high-cost home loans, high poverty and high crime rates. In Scott County, CVC will focus on east Georgetown and the areas to the north and east of the city where there are three major subdivisions with multiple homes in foreclosure. In Franklin County, CVC will focus in the northeast Frankfort area, which is an area of minority concentration also suffering disproportionately from foreclosed and abandoned housing.
- **Christian and Trigg counties, comprising the Kentucky portion of the Clarksville TN metropolitan statistical area, as well as Hopkins County (which is the Madisonville micropolitan statistical area), and Caldwell County.** Foreclosed/abandoned homes in destabilized neighborhoods will be acquired, rehabilitated and resold by Pennyrile Area Development District. Destabilized neighborhoods targeted in Christian County include Hopkinsville and Cadiz, near Ft. Campbell Army base. In Hopkins County, the cities of Madisonville, Dawson Springs and Morton's Gap include destabilized neighborhoods. These areas account for approximately 5% of the state's foreclosed homes.
- **The City of Owensboro located in Daviess County, which anchors the Owensboro-Daviess County KY metropolitan statistical area.** Work in Owensboro will be undertaken by the City of Owensboro, which is a HOME participating jurisdiction and CDBG entitlement area. Daviess County is the source of 2% of the state's foreclosed housing.
- **The City of Ashland in Boyd County, Kentucky portion of the Huntington WV-Ashland KY metropolitan statistical area.** The City will acquire, rehabilitate and resell foreclosed, abandoned or vacant homes in the downtown area. The City is a CDBG entitlement area and is home to AK Steel, which laid off more than 650 workers in November 2008 and has no plans to reopen its steel mill until at least 2010, if then. Foreclosures are rapidly increasing.
- Additional work will be undertaken in two severely distressed rural counties. The Russell County Fiscal Court will address two neighborhoods in which there is a foreclosed motel and 7-10 foreclosed single family homes, due to economic dislocation. The City of Greensburg in Green County will address blighted and vacant homes destabilizing its neighborhoods following several successive years of job losses as area manufacturing facilities closed.
- Kentucky Housing Corporation (the state housing finance agency) will work with Consortium members and others throughout the state, providing down payment, closing cost and principal reduction assistance to buyers of foreclosed and abandoned single family homes. Although this $1.5 million program does not specifically address a single neighborhood, it will be limited to Census tracts with HUD foreclosure or vacancy scores of 18 or higher. The Kentucky NSP2 Consortium recognizes that foreclosed housing is fluid in geography depending on plant layoffs, business closings and associated economic impact that cannot be accurately predicted over the coming 36 months. Capital for this program equates to less than 3% of the total KYNSP2 Consortium request.

Area	Neighborhood	Census tracts
Louisville/Jefferson	California, Cane Run, Fairdale, Newburg, Park Hill, Portland, and Shively and Valley Station	0003.00, 0015.00, 0016.00, 0017.00, 0023.00, 0027.00, 0028.00, 0091.04, 0113.02, 0114.05, 0119.05, 0121.06, 0124.05, 0126.01, 0127.03
Bullitt County	Mt. Washington, Hillview, Cedar Grove, Ft. Knox	0206.00, 0201.00, and 0211.00
Hardin County	Radcliff, Vine Grove, Elizabethtown, Ft. Knox	100, 300, 400, 500, 600, 700, 800, 1200, 1400
Northern Ky. Portion of Cincinnati-Middletown MSA	Covington, Florence, Burlington, Ft. Thomas, Bellevue, Newport, and Dayton, Southshore, Highland Heights, others	Boone: 703.06, 704.02, 705.01, 706.03; Campbell: 502.00, 504.00, 505.00, 506.00, 511.01, 511.02, 512.00, 513.00, 521.00, 522.00, 525.00, 530.00; Gallatin County, 9601.00; Grant County, 9802.00, 9803.00; Kenton County, 603.00, 607.00, 609.00, 610.00, 611.00, 612.00, 613.00, 614.00, 616.00, 636.03, 636.04, 636.05, 638.00, 641.00, 644.00, 650.00, 651.00, 653.00, 655.01, 656.00, 668.00, 669.00, 671.00; Pendleton County, 9901.00, 9903.00
Lexington-Fayette County (other areas of MSA listed below)	North end of Lexington (primarily minority, low-income area marked by lack of economic opportunity and high crime rates)	300, 400, 500, 1400, 1500, 3700
Scott County	City of Georgetown and 3 subdivisions immediately east or north of Georgetown	401.00, 406.00
Franklin County	Northeast portion of City of Frankfort and adjacent unincorporated areas	0702, 0706
Clarksville TN MSA (Christian, Trigg counties)	Hopkinsville, Cadiz	100, 300, 400, 500, 600, 700, 800, 1000, 1300 in Christian County; Trigg County, 701.00, 702.00, 703.00
Hopkins County	Madisonville (micropolitan statistical area), Morton's Gap, Dawson Springs, Nortonville	100, 300, 400, 500, 600, 700, 800, 901, 1200, 1400, 1600
Caldwell County	Flat Rock, Beulah, Princeton	0100, 0200
Owensboro (Owensboro MSA)	City of Owensboro	Census tracts 1, 2, 3, 4 and 5
Huntington-Ashland MSA (Boyd County, Ky. Portion)	City of Ashland	303
Russell County (rural)	City of Russell Springs, City of Jamestown	0100, 1001, 1002, 1003, 1004, 1005
Green County (rural)	City of Greensburg	90200
Kentucky Housing Corporation	Multiple	All other tracts with scores of 18+

Nature and extent of need for neighborhood stabilization within target geography

Kentucky is a high-homeownership state: 72.8% of households own their homes, compared to 67% nationally. Despite this, home sales and construction growth in the state are down more than 19% compared to a year ago – well above the national 16% decline.

Kentucky had 780,000 total first mortgage loans in effect as of the fourth quarter of 2008, according to the Mortgage Bankers Association's National Delinquency Survey. From 2001 to 2007, the percentage of loans entering foreclosure in Kentucky exceeded the percentage for the nation. For the fourth quarter of 2008, 3.8% of mortgage loans in Kentucky were 30-59 days past due, well above the national average of 3.5%. Loans 60-80 days delinquent were generally in line with national figures (Kentucky at 1.5%, and the U.S. at 1.6%).

Kentucky's total delinquencies stand at 7.5%; nearly 60,000 households are past due on at least one payment – a 2.5% increase from 2005. The percentage of loans past due in Kentucky has been, for the last 24 months, the highest since MBA began collecting data in 1979.

During the 2008 fourth quarter alone, more than two-thirds of those (39,515) were 90+ days delinquent, but fewer than 7,000 had entered the foreclosure process. This is likely due to Kentucky being a judicial foreclosure state with right of redemption, the 9-12 month length of the foreclosure process, and the unwillingness of lenders to incur additional losses via legal and maintenance expense until there is no other alternative. Even at that, and given that the foreclosure start rate steadily increased in Kentucky throughout 2008, even maintaining the current rate will mean nearly 30,000 foreclosure starts in 2009.

> *"Early numbers released for January (2009) show a 5.3% drop in sales of previously owned homes, a 12-year low ... and the median home price dropped 14.8% from a year earlier. Clearly, we aren't yet seeing any stabilizing in the housing market."*
>
> **James McKenzie**
> **on the Kentucky housing market**
> ***Kentucky Banker Magazine***
> **April 2009**

Mortgage loan delinquencies are good predictors of future foreclosure volumes. **Completed** residential foreclosures in Kentucky today are approximately four times higher than they were in the 1990s. While causative factors nationally are changes in real estate finance, volatility in house prices, changing interest rates and weakening employment, primary factors in Kentucky appear to be the number of high cost loans (HUD/MBA data), and high employment loss (see market need/demand, employment as contributing factor, for detail).

Local housing markets

In **Louisville**, home prices have fallen between 7.5 and 8.5% over the past year (*Neighborhood Stabilization Analysis for Jefferson-Bullitt Counties*, The Gill Group, June 2009). Within the targeted neighborhoods, HUD data indicates there are just over 12,000 mortgages, with a 15% foreclosure rate. Over 28% of loans are classified as high-cost/low leverage; 8% are high-cost/high leverage. Historical data provided by Kentucky's Administrative Office of the Courts shows the Louisville/Jefferson County foreclosure properties referred to the master commissioner for sale increased 115% from 2006-2007, an additional 21% from 2007-2008, and referrals for the first half of the year indicate it will increase further – by 21% -- in 2009. For the California, Cane Run, Fairdale, Newburg, Park Hill, Portland, and Shively and Valley Station neighborhoods – those that are most destabilized – assuming a very conservative 60% of master commissioner referrals result in actual sales, there will be 2,000 foreclosed properties in these seven neighborhoods in 2009 alone.

Bullitt and Hardin counties are located in separate MSAs, but share a common problem: extraordinary volumes of foreclosures in the communities adjoining or that are commuter communities for Ft. Knox Army base. In Bullitt County, targeted neighborhoods include Mt. Washington, Hillview, Cedar Grove and Ft. Knox. In Hardin County, they include Radcliff, Vine Grove, Ft. Knox and Elizabethtown. In the three targeted Census tracts in Bullitt County, HUD data shows 5,000 mortgages, of which 439 were expected to enter foreclosure. More than 30% of loans in these neighborhoods are considered high cost or highly leveraged. Bullitt County foreclosure sale referrals jumped 47% from 2007 to 2008, and there have been more than 400 sale referrals in the first six months of this year. In the Hardin County communities, more than 45% of all loans are high-cost or highly leveraged. There have been 270 master commissioner referrals in the first six months of the year, and the county's overall foreclosure rate has increased exponentially since 2006 – rising 13.29% in 2007, an additional 24% in 2008, and will rise an additional 28% in 2009.

In the **northern Kentucky** portion of the Cincinnati-Middletown MSA, the foreclosure situation is nearly as bleak: the five-county area accounts for fully 15% of all foreclosures in Kentucky. According to HUD data, Campbell, Gallatin, Grant, Kenton and Pendleton counties, one in 10 home mortgages will likely become foreclosed. In Gallatin and Grant counties, 35% of all home loans are considered to be high-cost or highly leveraged, and in Kenton County 29% of loans are so classified. In the first six months of this year, more than 2,000 properties have been referred to the master commissioners for foreclosure sale. Kenton County alone accounts for more than 5% of expected foreclosures in Kentucky in 2009. The six-county area has a vacancy rate averaging 7%, adding additional stress to the local housing markets, according to HUD data. Together, HUD data indicates there are over 3,725 foreclosed or abandoned/vacant homes within the targeted Kenton County communities – absorption rates are minimal in these neighborhoods.

In **Lexington/Fayette** and two of its MSA counties (Scott and Franklin), there is a clear disparity between HUD data and actual market conditions. A one-tenth of one percent home devaluation was expected; according to data provided by the Lexington Area Board of Realtors®, the market recorded a 3.3% loss in home values in 2008, and has a three-year depreciation of 8.3%. LBAR data dhows that homeowners in this market have lost an average of $12,500 *each* in housing equity over the past several quarters. **For the 800 or so homeowners in the north end of Lexington – a disproportionately poor, minority area -- this cumulative equity loss is equal to nearly $10 million.**

The Lexington/Scott/Franklin area outlook remains grim: This market is expected to lose an additional 3,300 jobs in the coming 12 months, and the one-year job gain to new single family homes is -1.3%%. More importantly, single-family housing permits fell 44% from December 2007 to December 2008. And, HUD data is not reassuring: in Lexington's north end, 36% of mortgage loans are considered high cost or highly leveraged; in the distressed Frankfort communities, 42% of mortgages are high-cost or highly leveraged; in the eastern portion of Georgetown and adjacent unincorporated areas in Scott County, 38.5% of loans are high-risk. In the Frankfort area, more than 13.6% of housing in the two targeted Census tracts is abandoned/vacant.

Outside of the 3 major metropolitan areas, other mid-size cities are experiencing the same:

- In **Christian and Trigg** counties in the Clarksville TN MSA, near Ft. Campbell Army base, more than one in four mortgages in the Hopkinsville and Cadiz communities is considered either a high-cost or highly-leveraged loan. One in 10 of the 1,200 mortgages in the targeted Census tracts is expected to result in foreclosure. Data from the Kentucky Administrative Office of the Courts shows that referrals for foreclosure sales in all of Christian County leapt

57% from 2007 to 2008, and are expected to rise an additional 20% in 2009, based on the number of referrals in the first six months of this year.

- In the **City of Owensboro** (Owensboro-Daviess MSA), 11% of homes in the targeted Census tracts are expected to enter foreclosure, according to HUD data. Ten percent are classified as vacant/abandoned. Nearly 36% of mortgages are either high-cost or high-leverage. There have been more than 150 foreclosure referrals in the first six months of the year; foreclosures rose 10% from 2007 to 2008.
- The **City of Ashland** is targeting a section of the downtown area that has a 10% foreclosure and a 10% abandonment/vacancy rate; one in four mortgage loans are considered high-cost or highly leveraged. The neighborhood is home to many steelworkers laid off in November 2008 by AK Steele at its Ashland Works plant – 650 workers with average salaries of $77,000 a year are now receiving $25,000 to $30,000 in unemployment benefits, and AK Steel has no plans to reopen the plant any time this year, if at all.
- Two rural areas hard-hit by vacancies and/or foreclosed housing have also been included (the City of Greensburg and Russell County). Greensburg was rocked a decade ago with the closing of the 500-employee Fruit of the Loom plant and has lost an additional 400 manufacturing jobs in the years since, most recently with the closing of the Coca-Cola bottling plant (45 jobs) and Indiana Hardwoods (25 jobs). Its unemployment rate as of March 2009 is 12%, compared with the state's rate of 10.3% and the nation's rate of 9%. Green County per capita income is a study in devolution: At $20,233 (2007), it is 65% of Kentucky's $31,111 per capita income. In turn, Kentucky's per capita income is only 80% of the nation's per capita of $38,611. In Russell County, the Consortium will help stabilize a neighborhood which has a foreclosed hotel surrounded by multiple foreclosed single family homes. Foreclosure sale referrals rose 35% in Russell County from 2007 to 2008, due in large part to the loss of more than 350 manufacturing jobs, compounded by severe economic loss in the tourism industry due to the Corps of Engineers' multi-million dollar repair work to Wolf Creek Dam, which as required lowering Lake Cumberland to levels that are killing both fish and tourism. The U.S. Army Corp of Engineers has dropped the water level as part of a $309 million repair project to repair the leaking three-quarter-mile-long concrete dam. By the Corps' own estimates, the lowered lake level caused a cumulative loss of $9.4 million in direct tourism spending in lake counties in 2008 — including gas purchases at marinas — and a loss of $3.4 million in personal income to tourism-industry employees.

Credit

As of April 2009, Kentucky's banks are continuing to deal with a national economy reeling from the financial crisis of the last 18-24 months. At the same time, Kentucky is plagued by unemployment that is above both HUD projections and above the national average.

According to an analysis in the *Kentucky Banker Magazine* (April 2009), FDIC data indicated that for the third quarter of 2008, Kentucky banks' capital levels remain strong, but profitability has dropped significantly since 2006 – including a 6% drop in return on assets from the second to the third quarters of 2008. In response, banks are widening "spreads" – the difference between the cost of funds borrowed and the cost of funds to consumers. For Kentucky consumers, that means they are being charged much higher interest rates as banks try to offset other losses. While Kentucky banks are lending at about the same levels as they did in 2006, the number of home loans is down significantly. Instead, bank real estate lending is focusing on commercial real estate; lending in this sector is up 20% since 2006.

The more critical question, according to the analysis, is where Kentucky financial institutions are in this credit cycle and what changes will occur in the economy in the coming 18 months. The outlook is not rosy: "Further deterioration in the housing industry, rising unemployment and further consumer weakness will put many Kentucky banks underperforming against historic levels," notes author James McKenzie. "Early numbers released for January (2009) show a 5.3% drop in sales of previously owned homes, a 12-year low ... and the median home price dropped 14.8% from a year earlier. Clearly, we aren't yet seeing any stabilizing in the housing market."

These issues are most clearly reflected for households with incomes below 120% by a review of data from the state housing finance agency. Its loan production increased consistently and significantly from 2005 through 2007, and then literally fell by half. The drop in production was a direct cause of the economic decline in the housing market. Investors remain hard to find for housing bonds, *even though Kentucky Housing Corporation's bonds are triple-A rated*. Likewise, the percentage of the housing finance agency's borrowers requiring down payment assistance has risen from 50% to 75%. Credit standards, according to KHC officials, have tightened dramatically.

> *"Homebuyers are required to have stronger credit profiles and more down payment to qualify for home loans today. The need for down payment assistance is critical to stabilizing neighborhoods while providing affordable housing opportunities for low- to moderate-income families."*
>
> **Brenda Walker,**
> **Senior Director of Homeownership**
> **Kentucky Housing Corporation**

In "*The High Price of Being Poor in Kentucky*," a 2007 Brookings Institute study, researchers noted that Kentucky's lower-income working families often pay a premium for goods and services, making it difficult for them to build wealth, save for their children's future, and invest in their upward mobility. Of those buying homes in 2005, more lower-income households surveyed had a high-cost mortgage than higher-income households. Home insurance is also more expensive for lower-income families. When furnishing their homes, more lower-income consumers use high-priced rent-to-own stores than higher-income families surveyed. Specific findings in the study include:

- ***Kentucky's lower-income homebuyers are twice as likely as higher-income households to buy a high-cost mortgage.*** More than 41 percent of lower income households that bought a home in 2005 have what the Federal Reserve defines as a high-cost mortgage, compared with just 16 percent of high-income households. These high-cost mortgages add up to considerable sums of extra money, which could have been devoted to savings and investments. For instance, the monthly payment on a typical high-cost mortgage for a median-priced home in 2005 would be approximately $807 a month, or about $290,000 over the course of a fixed-rate 30-year loan. In contrast, homeowners with a standard mortgage would pay approximately $605 a month, or $218,000 over the course of a loan, or a savings of more than $70,000 compared with the high-cost mortgage.

  Although Kentucky's lower income consumers are much more likely than other consumers to pay high prices for mortgages, they are not the majority of the high-cost market. In fact, of the 40,000 high-cost mortgages originated in Kentucky in 2005, lower-income households bought only about 2,000 of these, or about 6 percent. Moderate-income borrowers obtained a

larger number of high-cost mortgages, totaling 33 percent. The remaining 62 percent of the market for high-cost mortgages in Kentucky was middle- and higher income consumers.

- ***In a sample of prices from three insurance companies, homeowners in Kentucky's lower-income neighborhoods pay, on average, at least $363 more annually for home insurance than homeowners in high-income neighborhoods, holding other factors constant.***
- ***Kentucky's lower-income consumers also tend to pay more for furniture and appliances because they more frequently shop at rent-to-own establishments.*** Lower-income consumers are much more likely than higher-income consumers to buy furniture and appliances from rent-to-own stores. A recent analysis by the Federal Trade Commission (FTC) found that 59 percent of rent-to-own customers earn less than $25,000 a year.

Nationally, the thousands of foreclosures that are destabilizing hundreds of neighborhoods stem from three primary causes: Volatility in house prices, changing interest rates, and weakening employment. For Kentucky residents, the key factor has been major manufacturer layoffs, plant closings, and slowing of the retail markets.

Changes in the way mortgages were originated and financed (and the types of mortgages offered to borrowers) led to dramatic increases in the housing market; growth in the market and greater access to credit increased the number of real estate investors; greater risks associated with many mortgage loans went generally unnoticed until the housing market began to slow and house prices declined ("*Housing Foreclosures in Kentucky*", July 9, 2009, Kentucky Legislative Research Commission). Once housing prices began to decrease and monthly payments began to increase, many borrowers found they could no longer afford their monthly payments.

The advent of wide-open private mortgage-backed securities led to ill-advised mortgage products eagerly hawked by multiple national issuers and hundreds of mortgage brokerages that sprang up in Kentucky and elsewhere. Products included adjustable rate mortgages, balloon loans, negative amortization loans, option-ARMs, low-doc, no-doc and "pick-a-pay" loans. None were in the best interest of the borrower or, ultimately, the issuer. In Kentucky, from May 2004 through May 2006, between one-fourth and one-third of all mortgage loans were issued with adjustable rates. The number of foreclosures in Kentucky began a steady upward climb at the same time, rising to .78% as of the fourth quarter of 2008 (Mortgage Bankers Association 4th qtr National Delinquency Survey). In late 2007, Kentucky had the fourth-highest foreclosure volume in the country (RealtyTrac).

The inevitable consequence of the housing market meltdown has been thousands of foreclosures and personal bankruptcies for Kentucky families. Home values have fallen in many areas of the state, the credit market has tightened, and millions of dollars' home equity has evaporated. Homeownership – once touted as the best way for lower-income families to increase their net worth – is no longer the financial safe harbor it once was.

Employment needs contributing to decline of target geography

Weakness in the housing market has affected the rest of the economy and in Kentucky, as elsewhere, unemployment has risen rapidly and is a significant contributing factor in both bankruptcy filings and foreclosure filings. The state's average unemployment rate is over 10%, well above national rates, and for the Kentucky NSP2 Consortium's targeted neighborhoods, rates are generally above 10% and nearing 12% (Kentucky Office of Employment and Training, March 2009). Current unemployment statistics are not available at the Census tract level; however, un-

employment rates by county in which NSP2 funds are targeted are shown in the table below. Every county in the NSP2 investment area has had an increase in unemployment over one year ago, led by Trigg County (proximate to Ft. Campbell) with an 8.6% increase, followed by Bullitt, Grant, Russell and Scott counties, each with an increase of 5% or more.

County	March 2009 unemployment rate	Kentucky, March 2009	U.S., March 2009	Rate in March 2008	One-year increase (decrease)
Boone	9.00%	10.30%	9.00%	5.40%	3.60%
Boyd	8.30%	10.30%	9.00%	6.90%	1.40%
Bullitt	11.30%	10.30%	9.00%	6.20%	5.10%
Caldwell	10.30%	10.30%	9.00%	6.50%	3.80%
Campbell	9.30%	10.30%	9.00%	5.80%	3.50%
Christian	11.60%	10.30%	9.00%	8.40%	3.20%
Daviess	9.40%	10.30%	9.00%	5.20%	4.20%
Fayette	7.40%	10.30%	9.00%	4.60%	2.80%
Franklin	8.90%	10.30%	9.00%	5.80%	3.10%
Gallatin	12.60%	10.30%	9.00%	8.00%	4.60%
Grant	12.10%	10.30%	9.00%	7.10%	5.00%
Green	12.10%	10.30%	9.00%	8.00%	4.10%
Hardin	10.70%	10.30%	9.00%	5.80%	4.90%
Hopkins	9.20%	10.30%	9.00%	8.30%	0.90%
Jefferson	10.10%	10.30%	9.00%	6.00%	4.10%
Kenton	9.70%	10.30%	9.00%	5.90%	3.80%
Pendleton	12.50%	10.30%	9.00%	8.70%	3.80%
Russell	12.30%	10.30%	9.00%	6.90%	5.40%
Scott	10.30%	10.30%	9.00%	5.10%	5.20%
Trigg	15.30%	10.30%	9.00%	6.70%	8.60%

In 2006, 200 Kentucky businesses filed for bankruptcy. In 2007, more than 310 did so, and in 2008, an additional 510 went bankrupt, according to the American Bankruptcy Institute.

Many homeowners followed suit due after losing their jobs or the overtime pay that supported house payments, or to try and keep their homes from being foreclosed upon. In 2006, over 12,000 non-business bankruptcies occurred in Kentucky. In 2007, that number leapt to 16,846, and in 2008 it went higher: 20,951. And those filing were in greater debt, facing bleaker outlooks: 70% of households filing in 2007 declared Chapter 7 while 30% chose to reorganize under Chapter 11. Last year, 75% declared Chapter 7 and only one-fourth attempted reorganization.

Home auctions brought about by bankruptcy are as toxic to Kentucky's neighborhoods as are master commissioner sales for foreclosures. In either case, the result has become thousands of uninhabited homes.

Discussion of how factors relate to each other

In Kentucky, the key challenge in stabilizing distressed neighborhoods is two-fold: Reducing market risk to incentivize for-profit and non-profit developers to purchase, rehabilitate and resell foreclosed and abandoned housing, and providing capital to close gaps between the amount households can afford to borrow and the cost of acquiring a home. Kentucky's major metropolitan markets are not absorbing foreclosed, abandoned or vacant housing in any meaningful quantities. In Louisville, home prices have fallen between 7.5 and 8.5% over the past year (*Neighborhood Stabilization Analysis for Jefferson-Bullitt Counties*, The Gill Group, June 2009). In these

two counties alone, for every 600 foreclosed, abandoned or vacant homes that come on the market each month, fewer than 200 are purchased.

Not all delinquencies result in foreclosure, nor do all foreclosure filings result in a completed sale. For purposes of this funding request, the Kentucky NSP2 Consortium has chosen to primarily use the HUD data, data provided through the state's Administrative Office of the Courts (AOC), and the independent third-party consultant market studies commissioned by DLG and conducted from June 1-30, 2009.

In cooperation with Kentucky Housing Corporation (the state housing finance agency), the Department for Local Government (administrative agency for NSP1) market studies for 17 areas of the state to assess which areas require additional NSP investment through *both* NSP1 program income and/or NSP2 funds. Each of the 17 studies blends objective current market data and HUD foreclosure/vacancy data to gauge the degree of destabilization within specified Census tracts (primarily those with HUD risk scores of 18+; some adjoining tracts with lower scores were also included based on neighborhood boundaries). The studies also considered HUD data.

HUD data estimates foreclosure based on multiple factors. Kentucky AOC data focuses on properties in foreclosure that have progressed through the process to the point of referral for master commissioner sale. Although this latter criterion *significantly understates the number of properties "in foreclosure" in Kentucky,* it is a much more accurate predictor of where the greatest number of abandoned homes are, and where *completed* foreclosure sales will occur. This clearly translates to pin-point accuracy in determining the neighborhoods that are currently suffering the greatest destabilization, and which will continue to do so over the next 12-24 months.

It is in these areas that the KYNSP2 Consortium's primary strategy is to target NSP2 investment, as evidenced by the chart on the following page. **The KYNSP2 Consortium's proposed programs target the neighborhoods in counties that account for *more than half* of the 2008 foreclosure sales (based on AOC data), and that – if sale referrals for the first six months of the year continue apace – will be in counties where *nearly two-thirds* of the Kentucky's total master commissioner sales will occur in 2009.**

The KYNSP2 Consortium application proposes the acquisition, rehabilitation and resale or redevelopment of just over 950 homes in the most distressed neighborhoods in the counties below over the next three years. While these areas represent nearly 65% of all foreclosures in Kentucky, the requested NSP2 funds will be further targeted to specific neighborhoods, but doing so will address less than 6% of the projected home foreclosures for 2009 alone. Consequently, through its second strategic approach, Consortium members hope to stabilize an additional 5% of foreclosed/abandoned housing utilizing program income generated within the three-year project expenditure window as the economy rebounds and credit markets begin moving once again. This strategy recognizes that accelerated housing absorption will occur with NSP2 investment and individual homebuyer assistance primarily within the first 18 months, and secondarily with NSP2 program income during the remaining 18 months.

Kentucky's stabilization efforts with the initial investment of NSP2 funding are somewhat constrained by disparities between foreclosure projections and risk scores and the realities of the volume of foreclosed housing in many markets – an unavoidable situation given the magnitude of the national foreclosure crisis and the need for consistent foreclosure risk indicators. The KYSNP2 Consortium has balanced HUD geographic projection data with AOC's actual occurrence data and has included the real-time high-need areas of the state that the risk score averaging will support. For example, no Census tracts within Scott County have a HUD risk score above 16, but the two key areas in which foreclosures are occurring have been included in the

KYNSP2 geographic area. Only two Census tracts in Fayette County have risk scores above 18, but Lexington/Fayette's foreclosures will exceed 1,000 homes and rise by more than 50% this year, and will account for more than 4% of the state's overall foreclosure volume.

The KYNSP2 Consortium's third strategy is to partner with Kentucky Housing Corporation, the state's housing finance agency, to create a $1.5 million down payment assistance program covering multiple NSP2-eligible areas of the state. Although very modest in funding (representing less than 3% of the total request), this approach provides the Consortium with the flexibility to address ever-changing foreclosure "hot spots" around the state by providing up to $30,000 of homebuyer assistance to move foreclosed homes back into occupancy. KHC will make these soft second loans available on any foreclosed home in targeted NSP2 eligible areas behind the first mortgage of any lender of the buyer's choice. KHC will also re-underwrite all NSP-assisted purchases to ensure first mortgage loans are not high-cost, and will refuse investment where inappropriate first mortgage loan products are proposed.

II. Market conditions/demand

It is important to understand Kentucky's foreclosure process which dictates, in part, the volume of foreclosed residential housing as well as the length of the foreclosure proceeding. Kentucky uses a judicial process, requiring that a full court proceeding take place. When a borrower is in default on a loan, the mortgage holder must file a formal complaint with the court; all interested parties (such as other lien holders) must be added to the complaint; the homeowner must be given a chance to respond; and a hearing is held. If the homeowner does not respond to the filing, the court issues a default judgment for the lender. The property is then referred to the master commissioner, who auctions the property. The lender typically bids on the property to take possession and avoid homeowner redemption rights, and then re-list the property for sale. In Kentucky, the average length of this foreclosure process is approximately 9-12 months.

Likewise, Kentucky is a lien theory state, which means the homeowner continues to hold title to the property until the foreclosure process is complete. Due to the length of the foreclosure process, this means (at best) foreclosed homes suffer from significant deferred maintenance and (at worst) some homeowners, knowing they will lose their home, remove and sell fixtures, appliances, heat pumps and, sometimes literally, the kitchen sink. This leads to significant rehabilitation costs to repair foreclosed housing and return it to a market-ready state.

In its "*Housing Foreclosures in Kentucky*", Kentucky's LRC notes that the state's judicial foreclosure process and statutory right of redemption (one year from foreclosure sale if the sale price is less than 2/3 of market value) both extend the foreclosure and liquidation process and increase losses lenders may face. Restrictions on deficiency judgments (liability of the former owner to pay the difference in the amount of funds owned, and proceeds from the master commissioner's sale) serve to increase lenders' losses. One result is a reduction in mortgage loan availability in general; a second is an increase in credit requirements.

Buyers lack the skills and knowledge to effectively purchase homes even though it is very much a buyer's market. Banks have tightened credit requirements – two years ago, a buyer with a decent credit history and score of 580+ could obtain an FHA-insured loan. Today, that same buyer must have a credit score of 620+.

EXTENT TO WHICH MARKET WILL ABSORB HOUSING WITHIN THREE YEARS WITH NO NSP2 INVESTMENT; AND
INCOME CHARACTERISTICS OF HOUSEHOLDS AND INFORMATION ON HOUSING COST BURDEN

	Historical foreclosed or abandoned units coming into market per month	**Units absorbed by market (no NSP) /month**	**Unabsorbed units within 36-month project period**	**Accumulated *months'* inventory if no NSP investment**
Kenton County	79	48	1,122	23.62
Gallatin Grant, and Pendleton Counties	28	7	728	97.19
Boone & Campbell Counties	49	13	1,284	97.19
Daviess County	10	2	270	135.00
Jefferson & Bullitt Counties	88	26	2,215	84.42
Hardin County	24	3	753	251.00
Fayette & Franklin Counties	18	12	211	17.28
Scott County	7	5	80	17.28
Caldwell, Christian, Hopkins, & Trigg Counties	56	13	1,565	122.40
	358	**129**	**8,227**	**845**

The Department for Local Government (KYNSP2 lead entity) commissioned 17 separate independent market analyses for various areas of the state to identify those areas with the most severely distressed, destabilized neighborhoods. Of the 17 study areas, market data indicated six potentially could recover on their own or through NSP1 program income investment (DLG will begin receiving NSP1 program income within 90-120 days). Eleven areas are recommended for NSP2 investment and in all, the recommended use of NSP funding is homebuyer assistance and purchase/rehab/resale of foreclosed, abandoned and vacant housing.

To derive figures, the number of foreclosed, abandoned and/or vacant homes was calculated by the market analyst for all Census tracts with HUD risk scores of 18+ in specified count(ies). The analyst then contacted area Realtors, boards of Realty, etc., to obtain data on the number of actual sales occurring within these Census tracts. The analyst compared the total foreclosed, abandoned and/or vacant unit volume for all distressed counties against current market sales to derive an area-specific absorption rate.

It is important to note that market studies were conducted during the same period in which the KYNSP2 Consortium was independently assessing other data to ascertain probable areas of greatest need, and specific neighborhoods at risk of destabilization. Upon receipt of the studies, the Consortium applied local market absorption rates provided by the analyst to the specific Census tracts in which neighborhoods will be stabilized. Tracts to be served only through KHC's soft second loan program are not included above. For example, although the analyst reviewed market data and absorption rates for 50 Jefferson County Census tracts, only 15 will be targeted by The Housing Partnership. The chart above includes unit availability, sales, absorption and months' inventory specific to those 15 tracts.

Based on projections of abandoned, foreclosed and/or vacant properties available each month versus actual market absorption rates, it is clear that not only now but throughout the 36-month NSP2 project period, thousands of homes will remain on the market indefinitely, further

contributing to ongoing unit devaluation and economic loss. Months' inventory in the absence of NSP2 investment will be just under 18 months in some areas, and decades-long in others. Both the original formula allocation of NSP1 funds, the program income from those funds, NSP2 funds, and program income from NSP2 will be used to address the volumes of foreclosed, abandoned and vacant housing shown above.

Louisville/Jefferson County and Bullitt County: NSP2 investment is targeted to the California, Cane Run, Fairdale, Newburg, Park Hill, Portland, Shively and Valley Station neighborhoods. Although there are more than 50 Census tracts within Jefferson and Bullitt that have foreclosure or vacancy scores 18 or higher, efforts are being focused within the tracts that include these neighborhoods.

Louisville/Jefferson County has led the state in overall number of foreclosures for more than five years. Accumulated foreclosed, abandoned and vacant housing is compounding destabilization and with nearly 4,000 foreclosures per year, the open market cannot absorb units at even a fraction of the rate required to stem neighborhood decline. Kentucky's Administrative Office of the Courts tracks foreclosure filings that have progressed to referral to the master commissioner for the property sale; foreclosure actions that are in default or lis pendens filing *are not included* in AOC data. However, even for this reduced reporting volume, AOC's records show Louisville-Jefferson County's foreclosure volume more than doubled from 2006 to 2007, and continued to rise to nearly 4,000 properties by the close of 2008. In the first six months of 2009, there have been 2,362 additional referrals, according to AOC data, and if actions continue at the same rate for the remainder of the year, Louisville/Jefferson will see 4,700 foreclosures – a 20% increase over 2007. **Currently, Louisville/Jefferson County accounts for more than 23% of all foreclosures in Kentucky.**

> *"Growing numbers of neighborhoods in Louisville are reeling from the impact of foreclosures as looters strip vacant houses of anything of value and sell it for scrap. ... The expense to put these derelict structures back in working order often exceeds their worth. Consequently they can remain empty for years, and have a negative impact on neighboring property values and tax revenues.*
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> **"Louisville's Foreclosure Crisis" Metropolitan Housing Coalition, 2007**

In the targeted Census tracts, nearly half of all lower-income households' (<50% of area median) loan applications for FHA, VA or Rural Housing Service (RHS) loans were denied. More than half of households in this same income category seeking conventional loans were also denied. Although loan approvals rose in alignment with income levels, generally, households had to have incomes of more than 100% of area median before even 75% could obtain a government-insured loan. For those seeking conventional loans, no income category reached a 75% approval rate. A related key indicator more clearly illustrates the credit market shrinkage: Even for those families whose income was above 120% of median and who already owned a home, fewer than half were approved for refinance loans. Debt-to-income ratio was the primary factor in loan denial about one-third of the time for borrowers with incomes below 50% of median, one-fourth of the time for borrowers with income below 80% of median, one-fifth of the time for those at 100% AMI, and only 13% of borrowers with incomes above 120%. Clearly, NSP2 investment that provides subsidy to reduce the first mortgage amount will improve debt-to-income for borrowers, and loan-to-value for financial institutions.

The charts that follow show housing affordability gaps (subsidy requirements) based on the average home value in the market area. Income levels used for determining debt service are

based on 75% of the applicable median so that projections are not biased toward the lowest-income families in an income cohort, nor the highest.

Jefferson and Bullitt Counties Household Income Characteristics and Cost Burden by Income Level, 50% AMI								
HH Type	50% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$16,163	$4,849	**$3,476**	$1,373	$18,579	**$120,000**	**$3,600**	($105,021)
2 person	$18,450	$5,535	**$3,476**	$2,059	$27,867	**$120,000**	**$3,600**	($95,733)
3 person	$20,775	$6,233	**$3,476**	$2,757	$37,307	**$120,000**	**$3,600**	($86,293)
4 person	$23,063	$6,919	$4,313	$2,606	$35,267	$178,000	$5,340	($148,073)
5 person	$24,900	$7,470	$4,313	$3,157	$42,728	$178,000	$5,340	($140,612)
6 person	$26,738	$8,021	$4,313	$3,708	$50,189	$178,000	$5,340	($133,151)

Jefferson and Bullitt Counties Household Income Characteristics and Cost Burden by Income Level, 80% AMI								
HH Type	80% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$25,838	$7,751	**$3,476**	$4,275	$57,863	**$120,000**	**$3,600**	($65,737)
2 person	$29,513	$8,854	**$3,476**	$5,378	$72,784	**$120,000**	**$3,600**	($50,816)
3 person	$33,225	$9,968	**$3,476**	$6,492	$87,858	**$120,000**	**$3,600**	($35,742)
4 person	$36,900	$11,070	$4,313	$6,757	$91,452	$178,000	$5,340	($91,888)
5 person	$39,863	$11,959	$4,313	$7,646	$103,480	$178,000	$5,340	($79,860)
6 person	$42,788	$12,836	$4,313	$8,523	$115,357	$178,000	$5,340	($67,983)

Jefferson and Bullitt Counties Household Income Characteristics and Cost Burden by Income Level, 120% AMI								
HH Type	120% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$38,738	$11,621	**$3,476**	$8,145	$110,241	**$120,000**	**$3,600**	($13,359)
2 person	$44,288	$13,286	**$3,476**	$9,810	$132,775	**$120,000**	**$3,600**	$9,175
3 person	$49,800	$14,940	**$3,476**	$11,464	$155,158	**$120,000**	**$3,600**	$31,558
4 person	$55,350	$16,605	$4,313	$12,292	$166,364	$178,000	$5,340	($16,976)
5 person	$59,775	$17,933	$4,313	$13,620	$184,331	$178,000	$5,340	$991
6 person	$64,200	$19,260	$4,313	$14,947	$202,298	$178,000	$5,340	$18,958

Northern Kentucky (southern portion of Cincinnati-Middletown OH MSA): The northern Kentucky counties of Campbell, Boone, Kenton, Pendleton, Gallatin and Grant mirror the economic downturns of the Cincinnati area as a whole. The area's economy is closely tied to that of Cincinnati (in fact, the "Cincinnati" airport is actually located across the river in Covington, Ky.). The credit market in this region is extremely tight, and many otherwise-worthy bor-

rowers are being declined as major manufacturing sours, plants close, and others reduce overtime, hours and benefits. Within this metropolitan statistical area, one in four families with income above 120% of median is denied a government-insured loan. Nearly two in four families with income below 50% is denied the same loan. However, with higher income levels generally, the gap between affordability and income is significantly less than elsewhere in Kentucky. About one in four borrowers with an income below 50% is denied based on debt-to-income, while only 15% of those in the 50-100% AMI income levels are denied. And even fewer (13%) with income of 100-120% are declined on this basis. The subsidy requirements to move prospective buyers into homeownership – primarily through subsidy loans and principal write-down on foreclosed and abandoned housing – average only about $8,000 per household. In this particular market, the value of the NSP2-required purchase discounts will help bring the average cost of homes in line with true market value. Routinely within each income class, between 10 and 15% of loan denials were due to insufficient collateral – literally, homes were not worth the price sellers sought. And again due to high home prices, buyers often lacked required down payment: Across all income levels, from 2-5% of buyers had insufficient cash for down payment and closing costs. A significant NSP2 investment is proposed for this area as homebuyer assistance.

The charts below show housing affordability gaps (subsidy requirements) based on the average home value in the market area. Income levels used for determining debt service are based on 75% of the applicable median so that projections are not biased toward the lowest-income families in an income cohort, nor the highest.

Northern KY (Kenton listed separately) Household Income Characteristics and Cost Burden by Income Level, 50% AMI								
HH Type	50% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$18,150	$5,445	**$616**	$4,829	$65,357	**$93,000**	**$2,790**	($30,433)
2 person	$20,775	$6,233	**$616**	$5,617	$76,016	**$93,000**	**$2,790**	($19,774)
3 person	$23,363	$7,009	**$616**	$6,393	$86,522	**$93,000**	**$2,790**	($9,268)
4 person	$25,950	$7,785	$784	$7,001	$94,754	$130,000	$3,900	($39,146)
5 person	$28,013	$8,404	$784	$7,620	$103,128	$130,000	$3,900	($30,772)
6 person	$30,113	$9,034	$784	$8,250	$111,655	$130,000	$3,900	($22,245)
Northern KY (Kenton listed separately) Household Income Characteristics and Cost Burden by Income Level, 80% AMI								
HH Type	80% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$29,063	$8,719	**$616**	$8,103	$109,665	**$93,000**	**$2,790**	$13,875
2 person	$33,225	$9,968	**$616**	$9,352	$126,566	**$93,000**	**$2,790**	$30,776
3 person	$37,350	$11,205	**$616**	$10,589	$143,315	**$93,000**	**$2,790**	$47,525
4 person	$41,513	$12,454	$784	$11,670	$157,943	$130,000	$3,900	$24,043
5 person	$44,850	$13,455	$784	$12,671	$171,494	$130,000	$3,900	$37,594
6 person	$48,150	$14,445	$784	$13,661	$184,893	$130,000	$3,900	$50,993

Northern KY (Kenton listed separately) Household Income Characteristics and Cost Burden by Income Level, 120% AMI								
HH Type	120% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$43,613	$13,084	**$616**	$12,468	$168,743	**$93,000**	**$2,790**	$72,953
2 person	$49,838	$14,951	**$616**	$14,335	$194,018	**$93,000**	**$2,790**	$98,228
3 person	$56,063	$16,819	**$616**	$16,203	$219,294	**$93,000**	**$2,790**	$123,504
4 person	$62,288	$18,686	$784	$17,902	$242,295	$130,000	$3,900	$108,395
5 person	$67,275	$20,183	$784	$19,399	$262,546	$130,000	$3,900	$128,646
6 person	$72,263	$21,679	$784	$20,895	$282,797	$130,000	$3,900	$148,897

Kenton County Household Income Characteristics and Cost Burden by Income Level, 50% AMI								
HH Type	50% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$18,150	$5,445	**$1,680**	$3,765	$50,957	**$105,000**	**$3,150**	($57,193)
2 person	$20,775	$6,233	**$1,680**	$4,553	$61,615	**$105,000**	**$3,150**	($46,535)
3 person	$23,363	$7,009	**$1,680**	$5,329	$72,121	**$105,000**	**$3,150**	($36,029)
4 person	$25,950	$7,785	$2,400	$5,385	$72,882	$150,000	$4,500	($81,618)
5 person	$28,013	$8,404	$2,400	$6,004	$81,257	$150,000	$4,500	($73,243)
6 person	$30,113	$9,034	$2,400	$6,634	$89,784	$150,000	$4,500	($64,716)

Kenton County Household Income Characteristics and Cost Burden by Income Level, 80% AMI								
HH Type	80% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$29,063	$8,719	**$1,680**	$7,039	$95,265	**$105,000**	**$3,150**	($12,885)
2 person	$33,225	$9,968	**$1,680**	$8,288	$112,166	**$105,000**	**$3,150**	$4,016
3 person	$37,350	$11,205	**$1,680**	$9,525	$128,915	**$105,000**	**$3,150**	$20,765
4 person	$41,513	$12,454	$2,400	$10,054	$136,071	$150,000	$4,500	($18,429)
5 person	$44,850	$13,455	$2,400	$11,055	$149,622	$150,000	$4,500	($4,878)
6 person	$48,150	$14,445	$2,400	$12,045	$163,021	$150,000	$4,500	$8,521

Kenton County Household Income Characteristics and Cost Burden by Income Level, 120% AMI								
HH Type	120% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$43,613	$13,084	**$1,680**	$11,404	$154,342	**$105,000**	**$3,150**	$46,192
2 person	$49,838	$14,951	**$1,680**	$13,271	$179,618	**$105,000**	**$3,150**	$71,468
3 person	$56,063	$16,819	**$1,680**	$15,139	$204,893	**$105,000**	**$3,150**	$96,743
4 person	$62,288	$18,686	$2,400	$16,286	$220,424	$150,000	$4,500	$65,924
5 person	$67,275	$20,183	$2,400	$17,783	$240,675	$150,000	$4,500	$86,175
6 person	$72,263	$21,679	$2,400	$19,279	$260,925	$150,000	$4,500	$106,425

Lexington-Fayette, Scott and Franklin Counties: In the 5 targeted Census tracts comprising Lexington's north end, 1 in every 3 mortgage loan applications by households with incomes below 50% (for either government-insured or conventional products) was denied. Households with incomes between 50-80% of AMI saw one in four applications denied, according to HMDA data specific to these Census tracts.

For borrowers in all three neighborhoods (Lexington's north end, portions of the City of Frankfort, and areas in and adjacent to Georgetown), credit for all households with incomes below 120% of median is severely constrained and although some residents were able to access government-insured products, even for households with incomes between 100-120%, fully one-fourth of conventional loans were denied. Generally, the most common reason for loan denial was the household's debt to income ratio, according to HMDA data. For households with the lowest incomes (<50%), fully half of application denials to residents of targeted Census tracts was for excessive debt to income ratios. Only 22% were for poor credit quality.

The charts below show housing affordability gaps (subsidy requirements) based on the average home value in the market area. Income levels used for determining debt service are based on 75% of the applicable median so that projections are not biased toward the lowest-income families in an income cohort, nor the highest.

Lexington-Fayette County (Lexington-Fayette MSA)
Household Income Characteristics and Cost Burden by Income Level, 50% AMI

HH Type	50% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$17,063	$5,119	**$674**	$4,445	$60,157	**$77,000**	**$2,310**	($19,153)
2 person	$19,500	$5,850	**$674**	$5,176	$70,054	**$77,000**	**$2,310**	($9,256)
3 person	$21,938	$6,581	**$674**	$5,907	$79,951	**$77,000**	**$2,310**	$641
4 person	$24,375	$7,313	$1,434	$5,879	$79,562	$105,000	$3,150	($28,588)
5 person	$26,325	$7,898	$1,434	$6,464	$87,479	$105,000	$3,150	($20,671)
6 person	$28,275	$8,483	$1,434	$7,049	$95,397	$105,000	$3,150	($12,753)

Lexington-Fayette County (Lexington-Fayette MSA)
Household Income Characteristics and Cost Burden by Income Level, 80% AMI

HH Type	80% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$27,300	$8,190	**$674**	$7,516	$101,724	**$77,000**	**$2,310**	$22,414
2 person	$31,200	$9,360	**$674**	$8,686	$117,559	**$77,000**	**$2,310**	$38,249
3 person	$27,600	$8,280	**$674**	$7,606	$102,942	**$77,000**	**$2,310**	$23,632
4 person	$39,000	$11,700	$1,434	$10,266	$138,944	$105,000	$3,150	$30,794
5 person	$42,113	$12,634	$1,434	$11,200	$151,581	$105,000	$3,150	$43,431
6 person	$45,225	$13,568	$1,434	$12,134	$164,219	$105,000	$3,150	$56,069

Lexington-Fayette County (Lexington-Fayette MSA) Household Income Characteristics and Cost Burden by Income Level, 120% AMI								
HH Type	120% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$40,950	$12,285	**$674**	$11,611	$157,147	**$77,000**	**$2,310**	$77,837
2 person	$46,800	$14,040	**$674**	$13,366	$180,900	**$77,000**	**$2,310**	$101,590
3 person	$52,650	$15,795	**$674**	$15,121	$204,653	**$77,000**	**$2,310**	$125,343
4 person	$58,500	$17,550	$1,434	$16,116	$218,120	$105,000	$3,150	$109,970
5 person	$63,188	$18,956	$1,434	$17,522	$237,152	$105,000	$3,150	$129,002
6 person	$67,875	$20,363	$1,434	$18,929	$256,185	$105,000	$3,150	$148,035

Hardin County (Elizabethtown MSA): In the Vine Grove, Radcliff and Elizabethtown targeted Census tracts, many borrowers are US military personnel, civilian personnel working at Ft. Knox, and contracting personnel with companies retained by the Department of Defense. Generally, prospective borrowers had greater success accessing government-insured loans, with about 15% of loan requests denied. Conventional loans were declined at a slightly higher rate – about 18%. However, the majority of loan approvals were to households with incomes at or above 80% of area median – nearly half of households with incomes below 50% were denied government-insured loans as well as conventional loans. Households earning up to 80% of area median fared nearly as poorly: 42% were denied government-insured loans and 44% were denied conventional loans. Again, debt-to-income was a greater factor in loan denials than was credit history. For households with incomes below 50%, more than four in ten were denied because debt would exceed allowable ratios; it was higher for those with incomes from 80-100%, with nearly half (47%) denied on this basis. In this same income cohort, only 29% of applicants were denied due to credit history.

Hardin County (Elizabethtown MSA) Household Income Characteristics and Cost Burden by Income Level, 50% AMI								
HH Type	50% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$14,475	$4,343	**$1,199**	$3,144	$42,545	**$60,000**	**$1,800**	($19,255)
2 person	$16,575	$4,973	**$1,199**	$3,774	$51,072	**$60,000**	**$1,800**	($10,728)
3 person	$18,638	$5,591	**$1,199**	$4,392	$59,446	**$60,000**	**$1,800**	($2,354)
4 person	$20,700	$6,210	$3,260	$2,950	$39,926	$115,000	$3,450	($78,524)
5 person	$22,350	$6,705	$3,260	$3,445	$46,626	$115,000	$3,450	($71,824)
6 person	$24,000	$7,200	$3,260	$3,940	$53,325	$115,000	$3,450	($65,125)

Hardin County (Elizabethtown MSA) Household Income Characteristics and Cost Burden by Income Level, 80% AMI								
HH Type	80% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$23,175	$6,953	**$1,199**	$5,754	$77,870	**$60,000**	**$1,800**	$16,070
2 person	$26,475	$7,943	**$1,199**	$6,744	$91,269	**$60,000**	**$1,800**	$29,469

3 person	$29,813	$8,944	**$1,199**	$7,745	$104,820	**$60,000**	**$1,800**	$43,020
4 person	$33,113	$9,934	$3,260	$6,674	$90,325	$115,000	$3,450	($28,125)
5 person	$35,775	$10,733	$3,260	$7,473	$101,135	$115,000	$3,450	($17,315)
6 person	$38,400	$11,520	$3,260	$8,260	$111,794	$115,000	$3,450	($6,656)

Hardin County (Elizabethtown MSA)
Household Income Characteristics and Cost Burden by Income Level, 120% AMI

HH Type	120% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$34,763	$10,429	**$1,199**	$9,230	$124,919	**$60,000**	**$1,800**	$63,119
2 person	$39,750	$11,925	**$1,199**	$10,726	$145,169	**$60,000**	**$1,800**	$83,369
3 person	$44,700	$13,410	**$1,199**	$12,211	$165,268	**$60,000**	**$1,800**	$103,468
4 person	$49,688	$14,906	$3,260	$11,646	$157,624	$115,000	$3,450	$39,174
5 person	$53,663	$16,099	$3,260	$12,839	$173,764	$115,000	$3,450	$55,314
6 person	$57,638	$17,291	$3,260	$14,031	$189,904	$115,000	$3,450	$71,454

Christian and Trigg counties (Clarksville TN MSA / areas adjacent to Ft. Campbell): Although credit appeared to be more readily available within the targeted Census tracts in these areas – perhaps due to stable military employment or civilian employment at the Army base – FHA and conventional loan denials were high in relation to the remainder of the MSA, based on HMDA data. Denials of government-insured loans ranged from a high of 50% to a low of 0% on a tract-by-tract comparison. Overall within this MSA, however, credit generally remains markedly constrained to households with incomes <50%, with four in 10 applications for government-insured loans denied. In conventional lending, even for those with incomes above 120% of median, one in four loans was denied. Unlike other areas of the state, while debt-to-income ratios were still a primary factor, poor credit history was the most likely cause for loan denial.

For both the Elizabethtown and Clarksville MSAs, the highest rates of foreclosure are in communities immediately adjacent to Ft. Knox and Ft. Campbell. These areas were targeted in Kentucky by "pay-day" lenders, who provide short-term loans with triple-digit interest rates, typically 380 to 780% annually, according to the Center for Responsible Lending. To qualify for a payday loan, all a borrower needs is a bank account and a source of income or benefits. This is why the industry notoriously preys on the military and people on (or transitioning off of) government assistance. The ability to repay the loan is not assessed through a credit check, as with bank loans. The average borrower takes eight to 13 loans out from a single lender and a total of 14 to 22 loans out each year. This spiraling debt can quickly put families in a position of inability to make mortgage payments, regardless of base housing allowances provided by the military.

For destabilized neighborhoods in Hopkinsville and Cadiz near Ft. Campbell, returning foreclosed/abandoned housing to homeownership will require intensive credit counseling, homebuyer education, and lesser amounts of homebuyer assistance than will be required elsewhere in the state.

Christian and Trigg Counties (Clarksville MSA)
Household Income Characteristics and Cost Burden by Income Level, 50% AMI

HH Type	50% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$13,875	$4,163	**$1,250**	$2,913	$39,419	**$77,000**	**$2,310**	($39,891)
2 person	$15,863	$4,759	**$1,250**	$3,509	$47,489	**$77,000**	**$2,310**	($31,821)

3 person	$17,850	$5,355	**$1,250**	$4,105	$55,559	**$77,000**	**$2,310**	($23,751)
4 person	$19,838	$5,951	$1,500	$4,451	$60,245	$105,000	$3,150	($47,905)
5 person	$21,413	$6,424	$1,500	$4,924	$66,640	$105,000	$3,150	($41,510)
6 person	$23,025	$6,908	$1,500	$5,408	$73,187	$105,000	$3,150	($34,963)

Christian and Trigg Counties (Clarksville MSA)
Household Income Characteristics and Cost Burden by Income Level, 80% AMI

HH Type	80% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$22,200	$6,660	**$1,250**	$5,410	$73,221	**$77,000**	**$2,310**	($6,089)
2 person	$25,388	$7,616	**$1,250**	$6,366	$86,163	**$77,000**	**$2,310**	$6,853
3 person	$28,538	$8,561	**$1,250**	$7,311	$98,953	**$77,000**	**$2,310**	$19,643
4 person	$31,725	$9,518	$1,500	$8,018	$108,512	$100,000	$3,000	$5,512
5 person	$34,275	$10,283	$1,500	$8,783	$118,865	$100,000	$3,000	$15,865
6 person	$36,788	$11,036	$1,500	$9,536	$129,067	$100,000	$3,000	$26,067

Christian and Trigg Counties (Clarksville MSA)
Household Income Characteristics and Cost Burden by Income Level, 120% AMI

HH Type	120% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$33,338	$10,001	**$1,250**	$8,751	$118,442	**$77,000**	**$2,310**	$39,132
2 person	$38,100	$11,430	**$1,250**	$10,180	$137,780	**$77,000**	**$2,310**	$58,470
3 person	$42,863	$12,859	**$1,250**	$11,609	$157,117	**$77,000**	**$2,310**	$77,807
4 person	$47,625	$14,288	$1,500	$12,788	$173,071	$100,000	$3,000	$70,071
5 person	$51,413	$15,424	$1,500	$13,924	$188,449	$100,000	$3,000	$85,449
6 person	$55,238	$16,571	$1,500	$15,071	$203,980	$100,000	$3,000	$100,980

Hopkins County (Madisonville Micropolitan SA)
Household Income Characteristics and Cost Burden by Income Level, 50% AMI

HH Type	50% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$13,013	$3,904	**$1,250**	$2,654	$35,917	**$77,000**	**$2,310**	($43,393)
2 person	$14,850	$4,455	**$1,250**	$3,205	$43,378	**$77,000**	**$2,310**	($35,932)
3 person	$16,725	$5,018	**$1,250**	$3,768	$50,991	**$77,000**	**$2,310**	($28,319)
4 person	$18,563	$5,569	$1,500	$4,069	$55,068	$105,000	$3,150	($53,082)
5 person	$20,063	$6,019	$1,500	$4,519	$61,158	$105,000	$3,150	($46,992)
6 person	$21,525	$6,458	$1,500	$4,958	$67,097	$105,000	$3,150	($41,053)

Hopkins County (Madisonville Micropolitan SA) Household Income Characteristics and Cost Burden by Income Level, 80% AMI								
HH Type	80% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$20,775	$6,233	**$1,250**	$4,983	$67,435	**$60,000**	**$1,800**	$5,635
2 person	$23,775	$7,133	**$1,250**	$5,883	$79,616	**$60,000**	**$1,800**	$17,816
3 person	$26,738	$8,021	**$1,250**	$6,771	$91,644	**$60,000**	**$1,800**	$29,844
4 person	$29,700	$8,910	$1,500	$7,410	$100,290	$100,000	$3,000	($2,710)
5 person	$32,063	$9,619	$1,500	$8,119	$109,882	$100,000	$3,000	$6,882
6 person	$34,463	$10,339	$1,500	$8,839	$119,627	$100,000	$3,000	$16,627
Hopkins County (Madisonville Micropolitan SA) Household Income Characteristics and Cost Burden by Income Level, 120% AMI								
HH Type	120% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$31,200	$9,360	**$1,250**	$8,110	$109,764	**$60,000**	**$1,800**	$47,964
2 person	$35,625	$10,688	**$1,250**	$9,438	$127,730	**$60,000**	**$1,800**	$65,930
3 person	$40,088	$12,026	**$1,250**	$10,776	$145,850	**$60,000**	**$1,800**	$84,050
4 person	$44,550	$13,365	$1,500	$11,865	$160,585	$100,000	$3,000	$57,585
5 person	$48,113	$14,434	$1,500	$12,934	$175,050	$100,000	$3,000	$72,050
6 person	$51,675	$15,503	$1,500	$14,003	$189,515	$100,000	$3,000	$86,515

Caldwell County Household Income Characteristics and Cost Burden by Income Level, 50% AMI								
HH Type	50% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$11,963	$3,589	**$1,250**	$2,339	$31,653	**$77,000**	**$2,310**	($47,657)
2 person	$13,650	$4,095	**$1,250**	$2,845	$38,505	**$77,000**	**$2,310**	($40,805)
3 person	$15,375	$4,613	**$1,250**	$3,363	$45,509	**$77,000**	**$2,310**	($33,801)
4 person	$17,063	$5,119	$1,500	$3,619	$48,977	$105,000	$3,150	($59,173)
5 person	$18,413	$5,524	$1,500	$4,024	$54,459	$105,000	$3,150	($53,691)
6 person	$19,800	$5,940	$1,500	$4,440	$60,093	$105,000	$3,150	($48,057)
Caldwell County Household Income Characteristics and Cost Burden by Income Level, 80% AMI								
HH Type	80% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$19,125	$5,738	**$1,250**	$4,488	$60,735	**$60,000**	**$1,800**	($1,065)
2 person	$21,825	$6,548	**$1,250**	$5,298	$71,698	**$60,000**	**$1,800**	$9,898
3 person	$24,563	$7,369	**$1,250**	$6,119	$82,813	**$60,000**	**$1,800**	$21,013
4 person	$27,300	$8,190	$1,500	$6,690	$90,545	$100,000	$3,000	($12,455)
5 person	$29,475	$8,843	$1,500	$7,343	$99,376	$100,000	$3,000	($3,624)
6 person	$31,650	$9,495	$1,500	$7,995	$108,207	$100,000	$3,000	$5,207

Caldwell County Household Income Characteristics and Cost Burden by Income Level, 120% AMI								
HH Type	120% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$28,650	$8,595	**$1,250**	$7,345	$99,410	**$60,000**	**$1,800**	$37,610
2 person	$32,775	$9,833	**$1,250**	$8,583	$116,159	**$60,000**	**$1,800**	$54,359
3 person	$36,863	$11,059	**$1,250**	$9,809	$132,755	**$60,000**	**$1,800**	$70,955
4 person	$40,950	$12,285	$1,500	$10,785	$145,968	$100,000	$3,000	$42,968
5 person	$44,213	$13,264	$1,500	$11,764	$159,215	$100,000	$3,000	$56,215
6 person	$47,513	$14,254	$1,500	$12,754	$172,614	$100,000	$3,000	$69,614

City of Owensboro (Owensboro-Daviess MSA): In the north end of the City of Owensboro, two of every three loan applications for a government-insured loan were denied, while in the remaining tracts, an average of one in three were denied, according to census-tract-level HMDA data. Across all tracts, one in five conventional mortgage applications was denied and nearly four in 10 refinancing request. Credit here, as in other major metropolitan areas of the state, remains largely unavailable to home purchasers. Throughout Daviess, Hancock and McClean counties in Kentucky (which comprise the Owensboro-Daviess MSA), one-third of loans for either conventional or government-insured products were denied for households with incomes <50%. Again, debt-to-income was a primary factor in one of four denials to households with income below 80% AMI. In contrast, no loans to households with incomes above 100% were denied on this basis – this income cohort faced an entirely different problem: 50% lacked adequate collateral, meaning higher-cost homes in the City are significantly overvalued. In this area, the purchase discounts required through NSP will be a primary mechanism for acquiring foreclosed/abandoned homes at closer to "real" market value. This strategy, in conjunction with homebuyer assistance as a soft second mortgage, will reduce housing debt in relation to income and likely result in greater issuance of both government-insured and conventional products.

City of Owensboro (Owensboro-Daviess MSA) Household Income Characteristics and Cost Burden by Income Level, 50% AMI								
HH Type	50% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$14,588	$4,376	**$1,200**	$3,176	$42,988	**$62,000**	**$1,860**	($20,872)
2 person	$16,650	$4,995	**$1,200**	$3,795	$51,363	**$62,000**	**$1,860**	($12,497)
3 person	$18,750	$5,625	**$1,200**	$4,425	$59,890	**$62,000**	**$1,860**	($3,970)
4 person	$20,813	$6,244	$1,600	$4,644	$62,850	$80,000	$2,400	($19,550)
5 person	$22,463	$6,739	$1,600	$5,139	$69,550	$80,000	$2,400	($12,850)
6 person	$24,150	$7,245	$1,600	$5,645	$76,401	$80,000	$2,400	($5,999)
City of Owensboro (Owensboro-Daviess MSA) Household Income Characteristics and Cost Burden by Income Level, 80% AMI								
HH Type	80% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$23,333	$7,000	**$1,200**	$5,800	$78,496	**$62,000**	**$1,860**	$14,636
2 person	$26,625	$7,988	**$1,200**	$6,788	$91,864	**$62,000**	**$1,860**	$28,004
3 person	$29,963	$8,989	**$1,200**	$7,789	$105,416	**$62,000**	**$1,860**	$41,556
4 person	$33,300	$9,990	$1,600	$8,390	$113,553	$80,000	$2,400	$31,153

5 person	$35,963	$10,789	$1,600	$9,189	$124,364	$80,000	$2,400	$41,964
6 person	$38,625	$11,588	$1,600	$9,988	$135,174	$80,000	$2,400	$52,774

City of Owensboro (Owensboro-Daviess MSA)
Household Income Characteristics and Cost Burden by Income Level, 120% AMI

HH Type	120% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$34,950	$10,485	**$1,200**	$9,285	$125,666	**$62,000**	**$1,860**	$61,806
2 person	$39,975	$11,993	**$1,200**	$10,793	$146,069	**$62,000**	**$1,860**	$82,209
3 person	$44,963	$13,489	**$1,200**	$12,289	$166,320	**$62,000**	**$1,860**	$102,460
4 person	$49,950	$14,985	$1,600	$13,385	$181,157	$80,000	$2,400	$98,757
5 person	$53,963	$16,189	$1,600	$14,589	$197,449	$80,000	$2,400	$115,049
6 person	$57,938	$17,381	$1,600	$15,781	$213,589	$80,000	$2,400	$131,189

City of Ashland (Huntington-Ashland MSA): Although HMDA data is valuable in identifying factors in loan denials, the most recent data available predates AK Steel's closing of its steel plant in Ashland and the loss of 650 high-paying jobs. One thing is clear: the trends the HMDA data indicates will only get worse. For the most recent period covered by HMDA, the downtown area targeted for NSP2 investment saw 33% of all applications for government-insured loans denied. There was no significant demand for conventional lending. Nearly half of all refinancing requests were denied. For the MSA in general, half of government-insured loan applications from households <50% were denied, although there was modest improvement for higher-income households. Four in 10 applications were denied for both government-insured or conventional loans for households with incomes between 50 and 80% AMI, and three in 10 were denied for households with incomes above 100% AMI.

City of Owensboro (Owensboro-Daviess MSA)
Household Income Characteristics and Cost Burden by Income Level, 50% AMI

HH Type	50% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$12,600	$3,780	**$925**	$2,855	$38,643	**$57,800**	**$1,734**	($20,891)
2 person	$14,400	$4,320	**$925**	$3,395	$45,952	**$57,800**	**$1,734**	($13,582)
3 person	$16,200	$4,860	**$925**	$3,935	$53,260	**$57,800**	**$1,734**	($6,274)
4 person	$18,000	$5,400	$1,104	$4,296	$58,149	$68,975	$2,069	($12,895)
5 person	$19,425	$5,828	$1,104	$4,724	$63,935	$68,975	$2,069	($7,109)
6 person	$20,888	$6,266	$1,104	$5,163	$69,873	$68,975	$2,069	($1,171)

City of Owensboro (Owensboro-Daviess MSA)
Household Income Characteristics and Cost Burden by Income Level, 80% AMI

HH Type	80% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$20,175	$6,053	**$925**	$5,128	$69,400	**$57,800**	**$1,734**	$9,866
2 person	$23,025	$6,908	**$925**	$5,983	$80,972	**$57,800**	**$1,734**	$21,438
3 person	$25,913	$7,774	**$925**	$6,849	$92,696	**$57,800**	**$1,734**	$33,162
4 person	$28,800	$8,640	$1,104	$7,536	$102,000	$68,975	$2,069	$30,956
5 person	$31,088	$9,326	$1,104	$8,223	$111,288	$68,975	$2,069	$40,244
6 person	$34,163	$10,249	$1,104	$9,145	$123,774	$68,975	$2,069	$52,729

City of Owensboro (Owensboro-Daviess MSA) Household Income Characteristics and Cost Burden by Income Level, 120% AMI								
HH Type	120% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$30,225	$9,068	**$925**	$8,143	$110,206	**$57,800**	**$1,734**	$50,672
2 person	$34,575	$10,373	**$925**	$9,448	$127,868	**$57,800**	**$1,734**	$68,334
3 person	$38,888	$11,666	**$925**	$10,741	$145,379	**$57,800**	**$1,734**	$85,845
4 person	$43,200	$12,960	$1,104	$11,856	$160,469	$68,975	$2,069	$89,424
5 person	$46,650	$13,995	$1,104	$12,891	$174,477	$68,975	$2,069	$103,432
6 person	$50,100	$15,030	$1,104	$13,926	$188,485	$68,975	$2,069	$117,441

RURAL AREAS

Green and Russell Counties Household Income Characteristics and Cost Burden by Income Level, 50% AMI								
HH Type	50% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$11,100	$3,330	**$1,120**	$2,210	$29,911	**$70,000**	**$2,100**	($42,189)
2 person	$12,675	$3,803	**$1,120**	$2,683	$36,306	**$70,000**	**$2,100**	($35,794)
3 person	$14,288	$4,286	**$1,120**	$3,166	$42,853	**$70,000**	**$2,100**	($29,247)
4 person	$15,863	$4,759	$1,980	$2,779	$37,609	$95,000	$2,850	($60,241)
5 person	$17,138	$5,141	$1,980	$3,161	$42,785	$95,000	$2,850	($55,065)
6 person	$18,413	$5,524	$1,980	$3,544	$47,962	$95,000	$2,850	($49,888)

Green and Russell Counties Household Income Characteristics and Cost Burden by Income Level, 80% AMI								
HH Type	80% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$17,775	$5,333	**$1,120**	$4,213	$57,013	**$70,000**	**$2,100**	($15,087)
2 person	$20,325	$6,098	**$1,120**	$4,978	$67,367	**$70,000**	**$2,100**	($4,733)
3 person	$22,838	$6,851	**$1,120**	$5,731	$77,569	**$70,000**	**$2,100**	$5,469
4 person	$25,388	$7,616	$1,980	$5,636	$76,283	$95,000	$2,850	($21,567)
5 person	$27,413	$8,224	$1,980	$6,244	$84,505	$95,000	$2,850	($13,345)
6 person	$29,438	$8,831	$1,980	$6,851	$92,727	$95,000	$2,850	($5,123)

Green and Russell Counties Household Income Characteristics and Cost Burden by Income Level, 120% AMI								
HH Type	120% AMI	Total for housing	2 or 3 BR-taxes & insurance	Amount for Debt Service	Maximum loan amount	Average price on market (2BR, 3BR)	Closing costs @ 3%	Deficit (if any)
1 person	$26,663	$7,999	**$1,120**	$6,879	$93,099	**$70,000**	**$2,100**	$20,999
2 person	$30,450	$9,135	**$1,120**	$8,015	$108,478	**$70,000**	**$2,100**	$36,378
3 person	$34,275	$10,283	**$1,120**	$9,163	$124,009	**$70,000**	**$2,100**	$51,909

4 person	$38,063	$11,419	$1,980	$9,439	$127,747	$95,000	$2,850	$29,897
5 person	$46,650	$13,995	$1,980	$12,015	$162,615	$95,000	$2,850	$64,765
6 person	$50,100	$15,030	$1,980	$13,050	$176,623	$95,000	$2,850	$78,773

EXTENT TO WHICH OVER-BUILDING, OVER-VALUATION, OR LOSS OF EMPLOYMENT IS A CRITICAL FACTOR, OR THE MOST CRITICAL FACTOR, CAUSING FORECLOSURE/ABANDONMENT.

Say, "Kentucky," and any number of things may spring to mind: The Kentucky Derby (the oldest continuously-held horse race in the country), fine bourbon (more than 95% of the world's bourbon is distilled and aged here), or country music (Loretta Lynn, Wynonna and Naomi Judd, Ricky Skaggs, Dwight Yoakam, and Patty Loveless).

Historians will cite Jefferson Davis, the only Confederate president, and U.S. President Abraham Lincoln – both born in Kentucky less than a year and 100 miles apart. Also born here: Judge Roy Bean, Kit Carson and James Bowie. You can be buried here (Daniel Boone) or be from here and buried elsewhere: More than half of all Americans killed in the War of 1812 were Kentuckians. Contemporary natives? Actors Johnny Depp (Owensboro) and George Clooney (Ft. Mitchell); journalists Diane Sawyer (Glasgow) and UPI Washington White House Bureau Chief Helen Thomas (Winchester). For sports fans: Boxer Muhammad Ali, three-time swimming gold medalist Mary Meagher, basketball's Wes Unseld – all of Louisville – and auto racing's Darrell Waltrip (Owensboro).

The first American performance of a Beethoven symphony was in Lexington in 1817. Cheeseburgers were first served in 1934 at Kaolin's restaurant in Louisville. The Post-It Notes we hope you're using to mark our application's strengths are manufactured in only one place in the world: Cynthiana, Ky.

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On the other hand, there are many things people don't associate with Kentucky. The state's industrial base is driven by steel, aluminum, chemical and machinery production (not coal). Kentucky is the third-largest producer of light vehicles in the country, after Michigan and Ohio, producing more than 1 million cars and light trucks through plants owned and operated by General Motors in Bowling Green, Ford in Louisville, and Toyota in Georgetown. *Ten percent of all cars and trucks in the nation are made in Kentucky* – meaning 19.9% of the state's manufacturing workforce is employed in the motor vehicles, motor vehicle bodies/trailers, and motor vehicles parts manufacturing sector. Of the top motor vehicle producing states, in only two did motor vehicle industries comprise a larger share of their states' overall economy.

Industry clusters – groups of businesses that have buyer-supplier, distribution, labor and technology ties – grew around Kentucky's three major motor manufacturing plants, and included firms in the steel, plastics and aluminum industries. Due to proximity, these firms are generally located in central Kentucky between Louisville, Lexington and Covington. In early 2008, Kentucky was home to nearly 500 auto-related facilities providing over 87,000 jobs with an average weekly wage of $1,770 (compared to $702 for all other industries).

The nation's automotive industry crisis reached critical mass in the last half of 2008. Begun by a huge spike in gasoline prices, consumers turned away from large sport utility vehicles, pick-up trucks, and traditional gas guzzlers. In Kentucky, Ford's Louisville plant at that point produced the top-selling truck in the nation (F-Series), General Motors produced the Corvette in Bowling Green, and Toyota was producing the Camry and Avalon in Georgetown. Consumer demand plummeted, production plummeted, and hundreds of Kentucky automotive manufacturer supply companies saw orders slow to a trickle and, in some cases, stop altogether. The auto in-

dustry – the backbone of American manufacturing – began hemorrhaging jobs. By May 2nd of this year, the U.S. Labor Department reported that 637,000 people filed for first-time unemployment benefits the week before. The auto industry job losses led to the surge, according to Labor Department officials. In Kentucky, unemployment rates for the same period went up in all 120 of the state's counties. In areas where automotive industry clusters are present, rates climbed to double-digits: northern Kentucky's eight-county area had an average rate of 10.1% in May (Kentucky Office of Employment Training), led by Pendleton County at 13.1%, Gallatin County at 12.7%, and Grant at 12.6%. In Jefferson and adjoining Bullitt, rates were 10.3% and 11% respectively, up from 6% and 5.9% a year earlier.

Steel is the largest item by weight in an automobile. Due to the increased use of advanced high-strength steels, auto parts are more dent-resistant today and up to 30% stronger than a decade ago. Although automobiles have increased the amount of aluminum per vehicle over the last 15 years, steel remains the chief ingredient. And Kentucky ranks 3rd in the nation in light vehicle production. And *had*, in 2008, more than 500 motor-vehicle-related suppliers.

Kentucky ranked as one of the top 20 metal exporting states in 2007, when measured by the value of shipments. There were 54 steel-related facilities with 7,712 employees, and the average salary for primary metals industry employees in the state was $72,004 (2006).

The state's steel facilities last year included:

- North American Stainless in Ghent, the largest steel employer in the state, with 1,300 workers. Three months ago, 20 employees at on-site mill services provider MultiServe lost their jobs due to downsizing.
- AK Steel in Ashland was the state's second-largest employer with 1,150 workers. It produced flat-rolled carbon, stainless and electrical steel products. Last November, the steel maker laid off 650 workers at the Ashland Works plant due to announcements by General Motors and Chrysler that the automakers would shut down facilities. Employees' health insurance benefits also expired based on their years of service. Those with two years on the job or less saw benefits end the same month as the layoff. Those with two to 10 years on the job who had health benefits for six months. Other workers with more years of service will continue to get benefits for a year or two. The plant remains idled, and is not expected to reopen in 2009, according to Jim Wainscott, CEO of AK Steel. In January, the company announced new rounds of layoffs of salaried workforce and included employees at the company's offices in Ashland. The director of the Ashland Alliance, the local economic development organization, estimated the layoffs and plant idling would directly impact another 1,800 households due to loss of economic activity driven by AK Steel employees' wages.

> *"It's a hard pill to swallow. It's going to be a terrible hardship on a lot of people. It will hurt some more than others. Some people making $80,000 to $100,000 a year now will get $20,000 to $25,000."*
>
> *Chris Lynd,*
> *8-year AK Steel employee*

- Mubea, Inc., in northern Kentucky near Covington, 752 employees. Last December (2008), approximately 75 employees were given layoff notices. Mubea's biggest client is Chrysler, followed by Ford and General Motors.

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Look around the inside of your car (or even under the hood) and you'll see a lot of injection-molded plastic, and a lot of rubber. In addition to Kentucky being the 3rd-leading producer of cars and light trucks in the nation, most of the nation's other automotive production facilities

are located within 500 miles of central Kentucky. The automotive industry is a major purchaser of rubber and plastics products, and Kentucky's firms provided excellent product and access for just-in-time inventory management. The state ranked 17th in the nation in plastics employment in 2006, according to the US Census Bureau, County Business Patterns. That year, nearly 20,000 Kentuckians worked in the state's 214 plastics industries, with an average annual salary of $40,000.

There have been thousands of jobs lost due to manufacturing and distribution plant closings in northern Kentucky, Ashland, Lexington and Louisville. Hundreds more jobs are gone permanently in the KYNSP2 Consortium's targeted areas, as dozens of manufacturing facilities have closed their doors. The list below represents only known plant closings – it does not include plant layoffs, such as the 650-employee layoff from the idling of AK Steel's plant in Ashland. In the last 18 months alone, permanent plant closings have included:

- DuPont Performance Elastomers LLC in Louisville, producer of synthetic elastomers, 223 full-time jobs.
- Mill Steel Company, Louisville, steel service center, 14 full-time jobs.
- Nypro in Louisville, automotive and appliance plastic parts, 180 jobs.
- Pinnacle in Louisville, corrugated shipping containers, paperboard and paper products, 23 full-time jobs.
- Stauble Machine & Tool Co., Inc., Louisville, metal stampings, tools, dies and jigs; machinery and machine tools rebuilding, 90 full-time jobs.
- LOMA Automation Technologies in Louisville, custom industrial machinery, robot integration, 22 full-time jobs.
- OxyChem, Inc., Louisville, PVC resin, 58 full-time jobs.
- Autoliv ASP, Inc., in Hopkins County, maker of automotive seat belts, with a loss of 230 full-time jobs.
- Certified Tool & Manufacturing in Franklin County, maker of injection molding, metal stampings and automotive components, robotic and fusion welding, 91 full-time jobs.
- RJ Industries, LLC, Franklin County, minority-owned plastic injection molder for the auto industry, 40 full-time jobs.
- Cincinnati Extrusion in Boone County, light manufacturing and supplier of extrusion equipment, 12 full-time jobs.
- Freeman Schwabe Machinery in Boone County, die cutting machinery, plastic card industry machinery, large area folding machines, cutting dies, cutting pads, adhesive machines and adhesive, 24 full-time jobs.
- WNA Hopple Plastics, Inc., Boone County, thermoformed plastic products, blister packaging, 130 full-time jobs.
- Cox Auto Trader in Kenton County, weekly magazine publishing and commercial typesetting, 35 full-time jobs.
- Quality Containment Company in Owensboro, steel tanks and vessels, carbon and stainless steel; distributor of industrial grade plastic and fiberglass tanks, 33 full-time jobs.
- Sexton Welding Co., Inc., Ashland, metal fabricating, welding, made-to-order parts for the steel and chemical industries, 12 full-time jobs.

Hundreds of other jobs have been lost at other manufacturing plants in the KYNSP2 Consortium's targeted areas in the last 18 months, including:

- Apparel Group in Louisville, distribution of imported men's and women's clothing, 125 full-time jobs;
- CW Johnson Xpress, Louisville, headquarters for billings, collections and dispatch, 35 jobs;
- Dillards Distribution Center, Louisville, 90 fulltime jobs;
- First American Title Insurance in Louisville, real estate closing service center and title search, 40 full-time jobs;
- Novelis Corporation, Louisville, converted aluminum foil, 110 full-time jobs.
- Pulau Electronics in Hardin County, computer training and support, 65 full-time jobs;
- Discovery Communications in Boone County, 80 full-time jobs;
- Image Point in Boone County, wood, plastic and metal displays, 180 full-time jobs;
- Integrity Manufacturing in Bullitt County, utility trailers, motorcycles, 155 full-time jobs;
- Pacific Coast Feather Co., Boone County, synthetic and feather and down pillows, feather beds, comforters, 104 full-time jobs.
- Fabral in Christian County, metal roofing and siding products, 13 full-time jobs;
- Gildan Retail in Christian County, sales and administrative office, 50 full-time jobs;
- KI Kentucky, Hopkins County, wood library and residence hall furniture, 31 full-time jobs.
- JPMorgan Chase, Lexington, national loan servicing center, 525 full-time jobs.
- OAO Technology Solutions in Lexington, IT solutions outsourced by major corporations, 24 full-time jobs;
- Timber Roots MTD, Lexington, wall panels, roof and floor trusses, 20 full-time jobs;
- Trader Publishing, Lexington, magazine and newspaper publishing, 25 full-time jobs;
- Keane, Inc., Franklin County, custom computer programming, 140 full-time jobs.

Rating Factor Two

PAST EXPERIENCE OF APPLICANT

DLG, its housing partners, local government partners, and Kentucky Housing Corporation have worked collaboratively and expediently to move forward with the NSP1 funding. DLG and KHC held a joint NSP1 application training in late 2008 to ensure that interested applicants understood both the HOME and CDBG requirements. The state's substantial amendment was among the first approved in the nation; DLG accepted applications for funding in January 2009. Kentucky focused its NSP1 funds on areas of greatest need, identified by aggregating HUD risk scores by county and creating county needs scores; 50% of the applicants' application score during was based solely on greatest need as driven by HUD risk scores. More than 52 applications were received, requesting in excess of $115 million (the state was allocated $37.4). Application review was done jointly by DLG and KHC staff, with funding decisions and announcements made by the end of March. In March and April, DLG and its partners worked on evidentiary material, Part 58 compliance, and related. DLG has also procured technical assistance in the provision of its two-day implementation training, which was held in June and was jointly conducted by DLG and ICF Consulting Staff (Kelly Price and Les Warner). Throughout May and June, and continuing this month, DLG and ICF staff are finalizing Kentucky's program implementation paperwork, and will create an NSP-specific implementation manual by month's end.

Kentucky's implementation paperwork will closely model that of KHC's HOME Investment Partnerships program, as it is the most widely-used framework by the both the state's cities and nonprofits. Current DLG NSP Program Manager Anne Chaney designed electronic (Excel) versions of the HOME program set-ups, PCRs, etc., when she worked for KHC some years ago managing the department that administered the HOME program. For NSP1 and 2, speed is of the essence – DLG's housing partners will be able to complete and e-mail (with scanned documents attached) the majority of individual unit documentation that will be required.

DLG's set-up packet is created to enable staff to conduct "desk reviews" of key federal requirements including compliance with URA, lead-based paint, Part 58 (for nonprofits doing scattered, unspecified site projects), subsidy layering, etc. DLG's perspective is that it will be easier to ensure NSP requirements such eligible property types by Eligible Use, required acquisition discounts, voluntary acquisition notices, appraisals, etc., are met on the front-end before funds are allocated to specific units. With the electronic approach, DLG's processes ensure that individual units can be reviewed and approved within 2-3 business days. Included with the initial information is a construction start-up notice which will be sent electronically to KHC's housing inspection staff. Given that they already have a statewide presence for HOME and other program compliance, DLG has contracted with KHC for unit inspections (at least 10% of every project's units).

Staff continues to work on the DRGR framework, NSP completion, and internal mechanisms for tracking and reallocating NSP1 program income. Many NSP1 partners are using funding for interim financing and are encouraged to do so by DLG, so that the Commonwealth obligates its NSP1 funds within required timeframes. DLG will quickly reallocate program income to high-performing subrecipients for production of additional units (which will also count toward obligation within the 18-month timeframe). Lastly, DLG is requiring that both subrecipients and nonprofit producers remit program income – funds that "look like" program income, to DLG for re-obligation.

Environmental clearance on all projects is expected by the end of this month; all project partners have been given written permission to proceed with exempt activities at their own risk, including procuring all "due diligence" providers such as appraisers, title attorneys, etc., so that they can execute contracts and begin deploying NSP1 funds in August.

Kentucky focused its NSP1 funds on areas of greatest need, identified by aggregating HUD risk scores by county and creating county needs scores; 50% of the applicants' application score during was based solely on greatest need as driven by HUD risk scores. Further, projects that were in low-need Census tracts but based in high-need counties received point deductions in an effort to further focus NSP funds in destabilized Census tracts and block group areas. Applicants proposing redevelopment activities that were not part of a larger neighborhood stabilization initiative addressing foreclosed or abandoned housing (i.e., low income housing tax credit projects with financing gaps, or redevelopment for parks, etc.) were ruled ineligible for NSP funding, again to require targeting of NSP funds to destabilized neighborhoods. Through these strategies, Kentucky funded projects that will result in NSP initial investment in more than 320 housing units. The state is further requiring that all program income and interim financing provided to nonprofit developers be returned to the Department for Local Government (the administering department). The return and reallocation of NSP1 program income will ensure that the Commonwealth meets its 18-month obligation deadline for NSP1 funds, and will likewise enable the state to fund the return of an additional 240 foreclosed/abandoned or vacant properties to functionality and productive use.

MANAGEMENT STRUCTURE

Commonwealth of Kentucky, Department for Local Government: Since 1982, the DLG has administered approximately $26 million annually from the U.S. Housing and Urban Development's Community Development Block Grant (CDBG) program. In the most recent onsite monitoring review of the Commonwealth of Kentucky's administration of the CDBG program the Commonwealth was determined to be in full compliance with the rules and requirements of the program. It was noted during this review that DLG's performance was "exceptional" and that the staff demonstrated "a high level of professionalism and technical expertise". The organization's organizational chart is included as **Attachment 9.**

DLG provides funding, through state wide competitive grant process, to approximately 40 projects each year that benefit all areas of community progression and stabilization, including housing, community development, public infrastructure development, and economic development in distressed communities. Key staff works with units of local government and non-profit organizations to determine income eligibility of beneficiaries of the CDBG funds, providing guidance to local governments for determining income utilizing the HUD Income Calculator. To remain compliant with CDBG regulations, DLG staff examines every project to see if the project is eligible for funding under Title I of the Housing and Community Development Act of 1974, as amended and for compliance to meet one of the CDBG National Objectives as defined at 24 CFR 570.483.

Key housing staff provides technical assistance and monitoring for compliance with Federal regulations and cross-cutting measures. The DLG housing staff executes funding agreements with approximately 10 units of local government each year, providing approximately $10 million in CDBG funding.

The housing staff of DLG direct communities through the proper acquisition of property that is purchased in whole or in part with Kentucky CDBG funds through the guidelines and regulations stated in the Uniform Relocation Assistance and Real Property Acquisitions Policy Act of 1970 (URA). Included in the definition of property eligible for acquisition are right-of-way, fee simple title, land contracts, permanent easements, and long-term leases. The housing staff ensures compliance with proper exchange and transfer of real property through 49 CFR 24.106. The key housing staff also provides guidance to local communities who must meet compliance with 104(d), one-for-one replacement requirements, of Title I of the Housing and Community Development Act of 1974. DLG staff is trained to monitor and guide units of local government through proper procedures to handle lead based paint under 24 CFR Part 35.

The Department for Local Government has an extensive history, dating back to the establishment of the CDBG program for the Commonwealth of Kentucky, in tracking and handling financial responsibilities to distributing CDBG funds to units of local government. Utilizing the Integrated Disbursement and Information System (IDIS), DLG disseminates federal funds to units of local government who are awarded CDBG funds on a bi-monthly basis. Key financial staff at DLG has established a step-by-step draw submittal process with all CDBG awarded units of local government, including a deadline to submit draw requests to CDBG and an established date when funds will disburse to the unit of local governments account. DLG financial staff utilizes the projected project benefit numbers entered into the Housing and Development Software (HDS) Program to accurately track the progress of CDBG projects. The HDS program in coordination with the IDIS funds disbursement program provides DLG financial staff with experience and knowledge in efficient tracking and timely disbursement of funds. In 2008 DLG was

the recipient of The Diamond Club Partnership Award from the Housing and Development Software, for elite performance in federal CDBG program tracking.

In addition to the IDIS program for funds disbursement and HDS for program performance tracking, DLG financial key staff is experienced with the Disaster Recovery Grant Reporting (DRGR) System in the event of federally declared disaster in Kentucky. CDBG funds have been obligated towards disaster recovery efforts from DLG for flood relief, mass tornado outbreak clean-up, straight-line winds clean-up, and ice storm recovery. DLG key financial staff utilizes the DRGR System to review progress for specific projects when funds are to be disbursed in an efficient and expedited manner to provide the quickest access for those recovering from a disaster. DLG staff distributes funds to the units of local government as draws are submitted for funds. DLG key financial staff has extensive experience in submitting quarterly reports generated from the DRGR System summarizing the obligation, expenditures, and accomplishments for all disaster recovery activities.

DLG offers the Commonwealth of Kentucky extensive experience and technical assistance to units of local government in the administration and utilization of federal CDBG funds. DLG key staff continue to offer expertise in several facets to units of local government that ensure compliance with program delivery and execution.

In the 24 months prior to the NOFA, DLG managed products which produced 24 units under Eligible Use A, 82 under D, and 78 under E.

Kentucky Housing Corporation: KHC, created by the 1972 General Assembly, is a self-supporting, public corporation of the Commonwealth of Kentucky administratively attached to the Finance and Administration Cabinet. In the 24 months prior to the NOFA, KHC issued 2,900 first mortgage loans (Eligible Use A). A portion of KHC's funds are derived from the interest earned through the sale of tax-exempt mortgage revenue bonds. From these proceeds, KHC has made homeownership possible for over 82,000 Kentucky families. It also operates through the receipt of fees for administering federal programs including rental assistance that makes safe, decent, affordable housing available to more than 27,000 low-income Kentuckians. Other programs additionally offered by KHC include rental housing production financing, homeownership education and counseling and a variety of rental assistance, housing rehabilitation and home repair initiatives. Kentucky Housing works with many partners across the state, including lenders, government agencies, nonprofit housing providers, builders, real estate agents, community organizations and developers, to create affordable housing opportunities through an array of programs and services. In addition to issuing tens of thousands of first mortgage loans to homebuyers across the state each year, KHC is the participating jurisdiction for the state's $17.5 million HOME Investment Partnerships Program, $238,000 American Dream Down payment Initiative Program, $1.3 million Emergency Shelter Grant program, and $408,000 for Housing Opportunities for Persons with AIDS. It also acts as the lead member in Kentucky's balance of state Supportive Housing Program's Continuum of Care, working in 118 of Kentucky's 120 counties.

City of Covington: The City of Covington has been an entitlement city for CDBG for over 30 years and a participating jurisdiction under HOME from the inception of the program. The City, the housing development department, and the finance department have extensive experience in the administration of federal programs – combined they have over 45 years of experience in this field. Within the 24 months immediate prior to the NOFA, Covington and its housing partners jointly produced 150 financed units (Eligible Use A), 102 acquisition/rehab (B), 80 demolitions, and 102 redevelopments (D and E). Their partners for much of the City of Coving-

ton's community development are the Center for Great Neighborhoods and the Housing Opportunities of Northern Kentucky (HONK). They have all partnered over the past 15 years to develop comprehensive community development strategies to improve the quality of life in neighborhoods throughout the city.

The Housing Partnership, Inc.: HPI is a full service affordable housing development company offering homebuyer counseling, mortgage origination and housing development. Its lines of business include purchase and rehabilitation lending, homeownership promotion, multifamily properties and asset management, and real estate development. Independent directors from private, nonprofit and public constituencies oversee policy and operations. The Housing Partnership became a chartered member of NeighborWorks® America in 2005 and participates in NeighborWorks® America's Campaign for Home Ownership, Multifamily Initiative and Rural Initiative. Services at the HPI include community building, financial counseling and education, foreclosure prevention training, reverse mortgages, and homebuyer education and counseling.

The Housing Partnership, in the 24 months immediately prior to the NOFA, produced 276 units through acquisition, rehab and resale or rental (eligible use B). also works to provide quality affordable rental properties by utilizing federal, state and local programs for low-income housing and historic tax credit programs. HPI has been involved the development of approximately 4,000 units of affordable rental housing, and 1,100 units of affordable homeownership since its inception in 1990. HPI's counseling program, known as HOP (Home Ownership Counseling program), has served over 18,000 homebuyers, and potential homebuyers have been assisted in preparing for or sustaining home ownership through financial counseling programs. Nearly 7,000 program graduates have purchased homes as a result of participating in this program. HOP is the largest HUD certified counseling agency in the state.

Community Ventures Corporation: Community Ventures Corporation (CVC), a nonprofit community development corporation and a certified Community Development Financial Institution (CDFI), is a primary provider of homeownership lending and development services throughout Kentucky, as well as entrepreneurial/small business lending and development services. In the 24 months immediate preceding the NOFA, CVC produced 27 units of acquisition/rehab/resale through its CHDO and other programs (Eligible Use B). With offices in Lexington, Louisville, Henderson, Frankfort and Campbellsville, CVC's growth since 1982 has been carefully managed and remains mission-driven in providing economic opportunities for low-income Kentuckians to enhance their self-sufficiency, enable them to accumulate assets and build wealth, and break intergenerational cycles of poverty. The CVC primary service area includes forty-five (45) Kentucky counties, but under the New Markets Tax Credits, SBA 504 and Foreclosure Prevention programs, CVC has a statewide coverage. CVC's 32-member staff manages assets in excess of $20 million and provides services to more than 2,000 customers per year. CVC is a HUD-approved housing counseling agency. Each of three operating divisions (business development, housing development, and job development) provides both training and lending services. CVC's knowledge of the local housing market and foreclosures in its extensive service area, combined with the organization's experience and resources, marks this project as viable for execution and completion within the required project period. CVC has the ability to identify potential homebuyers, as shown by the organization's capacity for production of new housing, as well as outreach, loan origination and delivery of homebuyer ed and counseling.

City of Ashland: The City of Ashland is a CDBG entitlement community with a current annual entitlement of approximately $880,000. In the 24 months prior to the NOFA, it has produced 38 units via purchase/rehab/resale (or rental). The City's Planning and Community Devel-

opment Department provides a homeowner rehabilitation program to provide repairs, energy conservation measures, and other home improvements to eligible program participants. The City of Ashland, working with a local non-profit housing organization, has acquired and built 15 new homes and the City of Ashland has provided 17 homeowner and 6 rental rehabilitation projects over the last two years.

City of Owensboro: The City of Owensboro is a CDBG entitlement community. It has constructed 16 new homes in the 24 months immediately preceding the NOFA (Eligible Use E). Ten of these homes have been sold to low-to-moderate income buyers and meet or exceeded the Energy Star standards.

Pennyrile Area Development District: The Pennyrile Housing Corporation (PHC) was created in 1984 to provide safe, decent and affordable housing opportunities to low-to-moderate income residents of the 9 county Pennyrile region. PHC has been involved in and administered housing projects with CDBG, HOME, HOME Gap Financing Pool, Affordable Housing Trust Funds, as well as, USDA Rural Development loans and grants. PHC operates a revolving loan program using Non-Profit Loan Production funding. In the 24 months preceding the NOFA, Pennyrile produced and completed 24 purchase/rehab housing units (Eligible Use B).

Russell County/Lake Cumberland Area Development District, The Lake Cumberland Area Development District has extensive knowledge and expertise in administering CDBG funded projects over the last 20+ years. The currently have five CDBG Certified Administrators on staff.

City of Greensburg: The City of Greensburg has successfully administered previous CDBG funded projects and has a certified CDBG grant administrator on staff.

Newport Millennium Housing Corporation: The Newport Millennium Housing Corporation (NMHC) was incorporated to facilitate the completion of the Housing Authority of Newport's $80M+ HOPE VI program. In the past five years, NMHC and its' staff have created more than 250 new rental and homeownership units through the rehabilitation of historic structures, adaptive reuse of existing structures for housing uses, as well as, the traditional construction of new housing units. Of these, 100 were completed in the 24 months immediately preceding the NOFA. The implementation of this program has won widespread acclaim from academic evaluators and HUD personnel.

REFERENCES

1. Mr. Richard McQuady, CEO, Kentucky Housing Corporation, 1231 Louisville Road, Frankfort, KY 40601; (502) 564-7630, extension 214; rmcquady@kyhousing.org.
2. Ms. Penny Young, executive director, Homeless and Housing Coalition of Kentucky, 101 Burch Court, Frankfort, KY 40601; (502) 223-1824; pyoung@hhck.org.
3. Mr. Anthony Wright, Director of Economic Development, Lexington-Fayette Urban County Government, 101 East Vine Street, Lexington, KY 40507; (859) 258-3070; awright@lfucg.com

Rating Factor Three

I. Proposed activities/soundness of approach

Despite intense media and Congressional scrutiny, there is no clear national definition of the foreclosure rate. States may use title or lien theory – which may make foreclosures appear higher or lower, may shorten or extend the foreclosure process, and impact the willingness of lenders to

extend loan work-out options to distressed borrowers in an attempt to avoid (or at least delay) the time and expense of the foreclosure process. Likewise, foreclosure filings involve multiple legal filings and the number of "foreclosures" may be significantly overstated, or filings may involve multiple properties, in which case the impact is severely understated. Compounding the problem is the basis for calculating foreclosures: Should it be a percentage of *housing units* (i.e., RealtyTrac), or the percentage of *mortgage loans*?

Not all delinquencies result in foreclosure, nor do all foreclosure filings result in a completed sale. For purposes of this funding request, the Kentucky NSP2 Consortium has chosen to primarily use the HUD data, data provided through the state's Administrative Office of the Courts (AOC), and the independent third-party consultant market studies commissioned by DLG and conducted from June 1-30, 2009.

HUD data projects the probability of foreclosure based on multiple factors. Kentucky AOC data focuses on properties in foreclosure that have progressed through the process to the point of referral for master commissioner sale. Although this latter criterion *significantly understates the number of properties "in foreclosure" in Kentucky,* it is a much more accurate predictor of where the greatest number of abandoned homes are, and where *completed* foreclosure sales will occur. This clearly translates to pin-point accuracy in determining the neighborhoods that are currently suffering the greatest destabilization, and which will continue to do so over the next 12-24 months.

It is in these areas that the KYNSP2 Consortium's primary strategy is to target NSP2 investment, as evidenced by the chart on the following page. **The KYNSP2 Consortium's proposed programs target the neighborhoods in counties that account for *more than half* of the 2008 foreclosure sales (based on AOC data), and that – if sale referrals for the first six months of the year continue apace – will be in counties where *nearly two-thirds* of the Kentucky's total master commissioner sales will occur in 2009.**

The KYNSP2 Consortium application proposes the acquisition, rehabilitation and resale or redevelopment of just over 950 homes in the most distressed neighborhoods in the counties below over the next three years. While these areas represent nearly 65% of all foreclosures in Kentucky, the requested NSP2 funds will be further targeted to specific neighborhoods, but doing so will address less than 6% of the projected home foreclosures for 2009 alone. Consequently, through its second strategic approach, Consortium members hope to stabilize an additional 5% of foreclosed/abandoned housing utilizing program income generated within the three-year project expenditure window as the economy rebounds and credit markets begin moving once again. This strategy recognizes that accelerated housing absorption will occur with NSP2 investment and individual homebuyer assistance primarily within the first 18 months, and secondarily with NSP2 program income during the remaining 18 months.

County	2007	2008	1/1 to 6/26/09	projected 2009	% change 2007 to 2008	Projected % change 2008 to 2009* (annualized)	2008 distribution as % of state total	2009 distribution as % of state total-annualized
BOONE	504	691	217	434	37.10%	-37.19%	4.12%	2.67%
BOYD	151	190	99	198	25.83%	4.21%	1.13%	1.22%
BULLITT	310	456	198	396	47.10%	-13.16%	2.72%	2.44%
CAMPBELL	342	353	232	464	3.22%	31.44%	2.11%	2.85%

CHRISTIAN	134	210	125	250	56.72%	19.05%	1.25%	1.54%
DAVIESS	257	282	149	298	9.73%	5.67%	1.68%	1.83%
FAYETTE	663	713	532	1,064	7.54%	49.23%	4.25%	6.55%
FRANKLIN	146	204	94	188	39.73%	-7.84%	1.22%	1.16%
GALLATIN	46	69	43	86	50.00%	24.64%	0.41%	0.53%
GRANT	114	196	53	106	71.93%	-45.92%	1.17%	0.65%
HARDIN	341	421	269	538	23.46%	27.79%	2.51%	3.31%
HOPKINS	120	155	83	166	29.17%	7.10%	0.92%	1.02%
JEFFERSON	4959	3905	2,362	4,724	-21.25%	20.97%	23.29%	29.06%
KENTON	960	1215	422	844	26.56%	-30.53%	7.25%	5.19%
PENDLETON	81	98	44	88	20.99%	-10.20%	0.58%	0.54%
SCOTT	144	203	160	320	40.97%	57.64%	1.21%	1.97%
KYNSP2 MSA totals	**9,272**	**9,361**	**5,082**	**10,164**	**0.96%**	**8.58%**	**55.83%**	**62.52%**

** Historical and current data provided by the Kentucky Administrative Office of the Courts. 2009 projections were derived by multiplying the number of foreclosures for the first six months of the year by two, to project total year-end foreclosure volume.*

Kentucky's stabilization efforts with the initial investment of NSP2 funding are somewhat constrained by disparities between foreclosure projections and risk scores and the realities of the volume of foreclosed housing in many markets – an unavoidable situation given the magnitude of the national foreclosure crisis and the need for consistent foreclosure risk indicators, but unfortunate for the areas of Kentucky the Consortium is unable to reach. The KYSNP2 Consortium has balanced HUD geographic projection data with AOC's actual occurrence data and has included as many real-time high-need areas of the state that the risk score averaging will support. For example, no Census tracts within Scott County have a HUD risk score above 16, but the two key areas in which foreclosures are occurring have been included in the KYNSP2 geographic area. Only two Census tracts in Fayette County have risk scores above 18, but Lexington/Fayette's foreclosures will exceed 1,000 homes and rise by more than 50% this year, and will account for more than 4% of the state's overall foreclosure volume.

The KYNSP2 Consortium's third strategy is to partner with Kentucky Housing Corporation, the state's housing finance agency, to create a $1.5 million down payment assistance program covering multiple NSP2-eligible areas of the state. Although very modest in funding (representing less than 3% of the total request), this approach provides the Consortium with the flexibility to address ever-changing foreclosure "hot spots" around the state by providing up to $30,000 of homebuyer assistance to move foreclosed homes back into occupancy. KHC will make these soft second loans available on any foreclosed home in targeted NSP2 eligible areas behind the first mortgage of any lender of the buyer's choice. KHC will also re-underwrite all NSP-assisted purchases to ensure first mortgage loans are not high-cost, and will refuse investment where inappropriate first mortgage loan products are proposed.

COORDINATED COMPONENTS NOT FUNDED WITH NSP

The KYNSP2 Consortium's overall neighborhood strategy is to focus NSP2 and NSP2 program income capital within the most severely distressed neighborhoods within 11 of the 17 markets studied. The markets studied were chosen because they represented the highest foreclosure volumes in the state; in six markets, data indicates that markets will absorb foreclosed/abandoned housing on their own and do not require NSP2 investment.

The KY NSP2 Consortium is primarily addressing foreclosed and abandoned housing, versus vacant housing, as data from multiple sources (HUD, the Kentucky Administrative Office of the Courts, and market studies) indicates that this is the most optimal stabilization strategy for these distressed neighborhoods. Little activity related to demolition of blighted structures is proposed as it makes little sense to tear down and rebuild homes in markets that are already saturated with existing foreclosed/abandoned housing.

The KYNSP2 average investment of approximately $54,000 per unit (inclusive of administrative fees to subrecipients) will be used for rehabilitation of existing homes, and is leveraged by over $35 million in private development financing for acquisition/rehabilitation. A portion of the NSP2 investment for rehabilitation will remain permanently invested in the unit as subsidy to the homebuyer, as required to ensure long-term affordability. Anticipated subsidies by income level for destabilized neighborhoods are included in the charts above. Charts are titled based on the county in which the neighborhood is located (this is how HUD income data is grouped.)

The Kentucky NSP2 Consortium is coordinating its efforts with multiple external partners also involved in work to stem the foreclosure crisis in the state. Through Kentucky Housing Corporation, Consortium partners are working with more than 42 separate agencies that provide housing counseling to ensure that the pipeline of qualified buyers for NSP2-assisted units remains strong, and that units are quickly returned to occupancy. Each agency is either directly HUD-approved or is an organization providing HUD-approved counseling under the Kentucky Housing Corporation umbrella (KHC is a HUD-approved agency and trains, tests and individually approves individual counselors). KHC utilizes the NeighborWorks America® counseling curriculum. Likewise, individual Consortium partners are either HUD-approved housing counseling agencies or will enter into contracts with local HUD-approved agencies.

Further, through NSP1, DLG (lead entity for the KYNSP2 Consortium) is working with Kentucky Housing Corporation to modify its existing "Yes You Can ... Own a Home" curriculum specific to providing counseling to households interested in purchasing foreclosed/abandoned housing. Major modifications include addressing households' concerns in considering purchase of foreclosed/abandoned housing, identifying eligible units and becoming preapproved for mortgage loans (to pre-sell as many foreclosed units as possible, to expedite return of foreclosed housing to occupancy).

In other foreclosure-related initiatives, DLG has worked with Kentucky Housing Corporation and USDA-Rural Development such that each agency provides a list of foreclosure filings to all NSP1 recipients at time of filing, and also notifies NSP1-funded agencies of scheduled foreclosure sales. Through these efforts, NSP recipients have the ability to inspect individual homes well in advance of foreclosure sale and complete inspections, environmental review requirements and other due diligence and, often, purchase homes that qualify as abandoned prior to the foreclosure sale. Again, this work is being done to expedite the acquisition/rehab/resale of foreclosed and abandoned housing and quickly return it to productive occupancy.

In a separate initiative, Kentucky NSP participants routinely provide foreclosure counseling to distressed borrowers through the statewide foreclosure initiative, "Protect My Kentucky Home." Counselors provide direct 1:1 assistance to borrowers in or at risk of foreclosure and, depending on the borrowers' situation, serves as a neutral third party in facilitating loan modifications, forbearance agreements and other work-outs with loan servicers. The center began operation in late 2008; as of the third week of May 2009, more than 3,800 borrowers had requested assistance. Of those, 462 were 30+ days delinquent; 1,023 were 60+ days delinquent; 776 were 90+ days; 717 were current but anticipating delinquency; and 692 had been served with a civil

summons related to foreclosure. Each consortium member and/or its partner housing counseling agency participates in the "Protect My Kentucky Home" center.

Additionally, Community Ventures Corporation is the lead applicant on behalf of the Kentucky NeighborWorks Alliance, which includes The Housing Partnership (both NSP2 Consortium members) in a $400,000 initiative with the Federal Home Loan Bank of Cincinnati. The program provides non-federal funds for pre-foreclosure counseling and loan work-outs for Kentucky households whose first mortgages are held by FHLB-Cincinnati member banks. The program enjoys a high degree of success, as funds may be used for counseling, late/legal fees, and up to $2,500 per borrower to pay delinquent mortgage payments (provided the mortgage lender enters into a loan modification or other workout for the remaining delinquent amount).

None of the pre-foreclosure housing counseling above is funded with NSP; the majority of funds are provided through NeighborWorks America's National Foreclosure Prevention Counseling programs and a very modest amount of funding is allocated to by HUD to individual agencies. All of the above programs provide services and counseling within each neighborhood and Census tract proposed for NSP2 investment.

EXPANSION OF EXISTING EFFORT/SOURCES OF FUNDING

The KYNSP2 Consortium's proposal is an expansion of NSP1 funded activities in Kentucky. For the Louisville, northern Kentucky, Lexington, Hopkinsville and Madisonville areas, the proposed NSP2 investment either provides additional capital required to stabilize targeted neighborhoods or represents infusion of capital to stabilize newly-distressed neighborhoods within generally the same jurisdiction. Where NSP2 is proposed for investment in NSP1 investment areas, unit production has been deducted from need and absorption rates as proposed within this NSP2 funding request.

The NSP2 proposal further targets "new" destabilized neighborhoods in the Ft. Knox, City of Owensboro, City of Ashland, City of Greensburg and Russell County areas.

NSP1 partners brought $7,470,880 in additional financing to NSP1 stabilization efforts, primarily in the form of interim financing, permanent financing, and local jurisdiction HOME or CDBG funds. Additional investment was leveraged from the Federal Home Loan Bank of Cincinnati, private foundations, in-kind donations of materials, sweat equity, and volunteer labor.

HOW/WHEN PROGRAM WILL RESULT IN STABILIZATION OF HOUSING MARKET AND ACHIEVE LONG-TERM BENEFITS

In some targeted neighborhoods the KYNSP2 Consortium's work will constitute and expansion and continuation of work funded through NSP1 (and NSP1 program income that will be quickly revolved). The Consortium believes that these expanded efforts will begin showing improvement in targeted communities (northern Kentucky, Lexington, Louisville) even before NSP2 funding decisions are made. Work performed with all sources of NSP will achieve demonstrable, long-term improvement within the targeted neighborhoods within the next four years – the conclusion of the NSP1 program, and the required date of full expenditure for NSP2 grant and program income receipts received during the grant term.

The program will achieve stabilization of local neighborhoods and micro-housing markets and will stabilize neighborhoods that have suffered disproportionately from the foreclosure crisis. Neighborhoods with high renter (and often, transient renter) populations will be stabilized through the anchoring influences of homeownership; homes throughout the neighborhood will

maintain and likely improve in property valuation; existing homeowner equity will be restored and hundreds of affordable housing units will be made available to LMMI households.

USES OF FUNDS AND FIRM COMMITMENTS

The KYNSP2 Consortium is including letters of commitment for $55,789,000 in firmly-committed resources. The NCST REO Capital Fund is a new national non-profit organization that will provide financing to help localities acquire and rehabilitate foreclosed property, and has firmly committed $21,200,000 to the KYNSP2 Consortium. The fund has successfully raised millions of dollars in public and foundation resources and is using these funds to create loan loss reserve pools, which will in turn attract private investors to provide revolving lines of credit to localities and other local community development organizations for the acquisition and rehabilitation of vacant and foreclosed property.

The REO Capital Fund has been established to address the problem of the scarcity of financing. To address the problem of access to REO property, the Trust has developed an REO Property Acquisition Program, which permits the cost effective and transparent flow of foreclosed and abandoned properties from financial institutions to localities at below market property values, consistent with HUD NSP requirements. This process for facilitating the transfer of REO properties is offered at no cost to the NSP grantee and participating housing organizations. Over 30 state and local NSP grantees are now working with the Trust and by the end of the year the Trust will be working with over 100 grantees. Participating REO sellers include Freddie Mac, Fannie Mae, Bank of America/Countrywide, Chase/Wamu, CitiMortgage, GMAC, Wells Fargo/Wachovia and many others.

Other firmly committed funds to the KYNSP2 Consortium members include Kentucky Housing Corporation, $1.5 million; Community Ventures corporation, $3.3 million; Pennyrile Area Development District, $2.4 million; Habitat for Humanity International (cumulative), $150,000; the Bank of Jamestown, $265,000; PBI Bank, $500,000; the National Development Council, $875,000; BB&T, $1.5 million; Citizens Union Bank, $20 million. All funds will be used for acquisition and rehabilitation of foreclosed, abandoned and/or vacant properties that are NSP2-assisted.

TABLE SHOWING AMOUNT AND USES OF FUNDS, CDBG-ELIGIBLE ACTIVITY, AND RESPONSIBLE ENTITY

Activity Name: Financing Mechanisms **$10,600,000** **250 units**	Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including grants and soft second mortgages for low-to-moderate income homebuyers.	**CDBG Eligible Activity**: Homeownership Assistance (24 CFR 570.201(n). Public services for housing counseling (24 CFR 570.201(e))	City of Covington (Gallatin, Grant, Pendleton, Kenton, Boone & Campbell counties); KY Housing Corporation, DLG (lead entity)
Activity Name: Purchase and Rehabilitation **$31,450,000** **565 units**	Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed in order to sell, rent or redevelop such homes and property.	Acquisition (24 CFR 570.201(a)) and rehabilitation (570.202). Public services for housing counseling (24 CFR 570.201(e))	City of Covington, Newport Millennium Housing Corporation III, City of Owensboro, City of Greensburg, Russell County Fiscal Court, City of Ashland, Community Ventures Corporation, Pennyrile Area Development District, DLG

Activity Name: Demolition **$450,000** **25 units**	Demolish blighted structures.	Clearance activities (24 CFR 570.201(d)	City of Covington, City of Greensburg
Activity Name: Re-development **$9,140,826**	Redevelop demolished or vacant properties *as housing.*	24 CFR 570.201(c)	City of Covington, City of Greensburg, Russell County Fiscal Court
Activity Name: Administration **$5,164,083**	General administration and planning activities.	General administration and planning activities (24 CFR 570.205 and 206)	All agencies listed above

PROPOSED ACTIVITIES, INCLUDING INTEREST RATES, DURATION/TERM OF ASSISTANCE, AND TENURE OF BENEIFICIARIES

More than 95% of funds requested will be used to acquire foreclosed or abandoned single family dwellings, rehab them, and sell them to income-eligible buyers. NSP funds will be permanently invested via a zero percent, forgivable loan incrementally forgiven over the affordability period. The amount of loan will be based on individual households' financing gaps (the difference between the amount of funds they can borrow and the purchase price of the home). Any NSP funds used during development that are taken out by permanent financing will be considered program income and must be used for additional NSP2 eligible activities.

All properties will be required to meet the affordability periods used by the state for NSP1; Consortium partners have agreed to work toward extending these periods during implementation but have significant concerns that doing so across the board, in the current housing market, will reduce the marketability of NSP2-assisted units to prospective buyers. Therefore, they have opted at this time to adhere to the existing NSP framework. While all understand the need to preserve affordable housing, the more pressing current issue is marketability and stabilizing neighborhoods.

RENTAL

NSP Assistance Per Unit	Affordability Period
<$15,000	5 years
$15,000-$40,000	10 years
Above $40,000	15 years
New Construction or Acquisition of New Construction Unit	20 years

HOMEBUYER

NSP Subsidy Per Unit	Affordability Period
<$15,000	5 years
$15,000-$40,000	10 years
Above $40,000	15 years
New Construction or Acquisition of New Construction Unit	20 years

Demolition/Preservation Explanation

Less than 1% of the KYNSP2 Consortium's request is proposed for demolition; the Consortium determined that it makes little sense to demolish and rebuild homes when there are several

months' inventory of existing foreclosed or abandoned homes that can be rehabilitated and returned to occupancy. The KYNSP2 Consortium has no plans to demolish or convert any LMI dwelling.

Project completion schedule

DLG and KYNSP2 members will ensure completion of activities within the targeted neighborhoods and geographic areas in compliance with Appendix 1, paragraph O of the NOFA. DLG will use reporting systems such as HDS and DRGR to track and monitor unit production and expenditure of funds. The quarterly reports will allow DLG to address any anomalies, slow progress, and to reconcile financial obligations. DLG will hold consortium members responsible for completing scheduled activities in a timely manner and monitor the distribution of funds to ensure the 25% set-aside requirement is met. DLG will submit quarterly reports to HUD.

The progress reports submitted to DLG by partners of the KYNSP2 consortium will allow DLG to ensure funds are expended within program parameters. The KYNSP2 Consortium members will be working closely with leveraging partners to ensure completion of committed activities. The table below is a proposed schedule of the completion of NSP2 activities per each activity.

	Monthly Activity Schedule									
NSP2 Activities	**1-4**	**5-8**	**9-12**	**13-16**	**17-20**	**21-24**	**25-28**	**29-32**	**33-36**	**TOTAL**
Activity A: Financing	15	20	25	25	35	45	35	30	20	250
Activity B: Rehabilitation	5	45	45	65	105	75	75	75	75	565
Activity D: Demolition	0	3	4	5	7	4	1	1	0	25
Activity E: Redevelopment	0	0	0	5	20	30	35	15	6	111
TOTAL Units	20	68	74	100	167	154	146	121	101	951

Further, all KYNSP2 Consortium members have current DUNS numbers and CCR registrations. (Newport Millennium's information is entered and pending availability.)

Consortium Members	**DUNS Number**	**CCR Expiration**
City of Covington	045342060	6/5/2010
Kentucky Housing Corporation	082316696	2/11/2010
Newport Millennium Housing Corporation III	845586630	pending
City of Owensboro	074068941	6/3/2010
City of Greensburg	051276343	4/24/2010
Russell County Fiscal Court	033011685	6/26/2010
City of Ashland	072667603	7/9/2010
The Housing Partnership, Inc.	782276869	7/8/2010
Community Ventures Corporation	120618509	12/5/2009
Pennyrile Area Development District	808915651	7/2/2010
Commonwealth of Kentucky, Department for Local Government	007002959	6/18/2010

Further, DLG is the responsible entity for NSP1 part 58 requirements for projects undertaken by nonprofit producers. The underlying ERRs (tiered monitoring strategies for unspecified sites)

were conducted for a stated five-year period and were done on a county-wide basis, for activities including finance mechanisms, purchase/rehab/resale, demolition, and redevelopment. Local governments were asked to do the same in meeting their Part 58 requirements. In consequence, more than 50% of the Part 58 requirements have been met (i.e., existing ERR incorporating NSP2 with proposed funds to same applicant; alternatively, existing ERR that can be reviewed/adopted by local government RE).

Income Targeting/Continued Affordability

Approximately 25% of the KYNSP2 request is specifically targeted to the purchase, rehabilitation and resale of abandoned or foreclosed housing to provide permanent housing for households with incomes at or below 50% of applicable area median. Excluding up to 10% administrative funds, 28% of the NSP request will be targeted to low-income households. Requirements for the low-income set-aside as well as the overarching 100% of funds to benefit households with incomes below 12% will be met via incorporation into funding agreements with Consortium members, and throughout the affordability period via recorded mortgage and promissory note with the homebuyer.

Consultation, Outreach & Communications

DLG published a request for proposals to solicit the organizations throughout the Commonwealth who would have the greatest access to their communities and understand their housing market needs and invited them to create the KYNSP2 consortium. DLG and KYNSP2 members worked together to determine areas of greatest need, and neighborhoods suffering from significant destabilization, and have included those areas in this funding proposal.

Through proactive solicitation of projects, an "application" training, and outreach to local governments, nonprofits and other affordable housing advocates, DLG facilitated the creation of the KYNSP2 Consortium. Once consortium identified its target geographic regions, members entered into an agreement to provide a collective goal and mission. The consortium analyzed data from all identified target geographic regions and realized that the dire foreclosure situation called for the consortium members to expand their boundaries and target outlying counties of the metropolitan statistical areas. In the end, consortium members were able to bring to the table over 900 units throughout Kentucky that are in dire need of NSP2 capital.

Utilizing members of the Kentucky NSP2 Consortium, the Department for Local Government will be able to reach individual home owners who are 120% or less of area median income and those who are need at 50% of area median income. Each consortium member has an existing fair housing/affirmative marketing outreach plan through which they ensure that low-income, minority and other disadvantaged populations are aware of their programs and services. Additional outreach will be undertaken specific to NSP2 upon funding notification.

Each Consortium member will also identify an Affirmative Fair Housing Initiative in their neighborhoods to encourage all residents to who are eligible to seek assistance in occupying foreclosed properties and stabilizing their neighborhoods. In addition, impediments to fair housing will be addressed in the assisted neighborhoods according to the entitlement city's or state's Analysis of Impediments to ensure proper guidelines are adhered to.

The KYNSP2 Consortium will also conduct specific outreach to the state's minority- and woman-owned businesses. Women-owned businesses make-up 26% of the Kentucky owned firms. Total sales and receipts from women-owned businesses exceeded $9 billion in 2002. Two of the top four women-owned industries, in terms of sales and receipts, were construction

and manufacturing firms. Women owned businesses employed 84,096 employees as of 2002, accounting for nearly $2 billion in salaries paid. The largest concentrations of women-owned businesses are found in Kentucky's metropolitan statistical areas (MSA)s, which coincide with areas of largest need for neighborhood stabilization activities.

Equivalent outreach will be done for minority-owned businesses, of which there are approximately 12,664 minority-owned firms in Kentucky accounting for nearly $2.5 billion in sales and receipts along with providing employment opportunities for nearly 25,000 Kentuckians. The Kentucky minority-owned firms accounted for 4.5 percent of all firms in Kentucky along with over 1 percent of the sales and receipts for total Kentucky firms. Jefferson County and Fayette County provided the greatest number of minority-owned businesses with 4,276 and 1,035 firms respectively. Sales and receipts totaled $1.38 billion in the Cincinnati-Middletown MSA.

CONTINUOUS COMMUNICATION, PROGRESS, OPPORTUNITITES AND RESULTS, PROCESSING OF COMPLAINTS, ENSURING ACTIVE CITIZEN PARTICIPATION

The Department for Local Government worked with ICF consulting to conduct the state's two-day implementation training for NSP1 grantees, and invited these agencies as well as others throughout the Commonwealth to collaborate for NSP2 through a statewide consortium (KYNSP2). In addition to posting on its web site and general public notification through normal processes, DLG invited the participation of all agencies that had expressed interest in applying for NSP1 funds, organizations providing housing and services for homeless persons in all six of the state's Continuum of Care regions, and membership of the state's Homeless and Housing Coalition of Kentucky. Kentucky Housing Corporation likewise sent an e-gram to its listserve members, which include nearly all for- and non-profit affordable housing developers, lenders, and other housing industry members in the state. An NSP2 training was held by DLG in mid-June to solicit participation in the kyNSP2 Consortium's funding proposal. Clear guidance was provided that partners' scope of work should address foreclosed/abandoned or vacant housing by targeting the highest-need Census tracts and neighborhoods, agencies must match proposed activities to documented neighborhood needs and stabilization strategies that meet those needs, and that agencies must have the required experience to immediately implement (upon funding approval) the type and scope of stabilization strategy proposed.

Performance and monitoring

MONITORING PLAN

The Department for Local Government is regularly responsible for subrecipient monitoring for the CDBG program, NSP1, and will incorporate NSP2 into existing processes. will ensure all Kentucky NSP2 Consortium members meet requirements set forth with the Commonwealth of Kentucky, Auditor of Public Accounts and each consortium member's internal audit controls. Any known findings or discrepancies will be handled in coordination with the appropriate oversight organization.

INTERNAL AUDIT REQUIREMENTS

The Department for Local Government (DLG) utilizes the Commonwealth of Kentucky, Auditor of Public Accounts (state auditor) for all reviews of internal activities and any expenditure of federal funds. The state/internal auditor will be explicitly authorized in each Consortium funding agreement to carry out of any NSP2-assisted activity. This internal audit function will include

ongoing examination of DLG policies, procedures and practices related to the administration of NSP1 and NSP2 funds, as well as those conducted by subrecipients of NSP funding. Regular feedback on ways to identify problems, minimize risk, and ensure appropriate internal controls and fiscal accountability will be routinely incorporated into program administration and design for both the lead entity and all KYNSP2 Consortium members. Feedback will include identification of risky management practices, missing or ineffective internal controls, areas that are at risk of non-compliance with program requirements, and ineffective implementation of established policies.

NSP1/2 work is coordinated by DLG and state auditor senior management; the Division of Financial Audit is the specific office tasked with protecting taxpayer resources by conducting audits of entities which manage public funds. The office is directed by Sally Hamilton.

Leveraging Other Funds

The KYNSP2 Consortium is including letters of commitment in **Attachment 5** for $55,789,000 in firmly-committed resources. The NCST REO Capital Fund is a new national non-profit organization that will provide financing to help localities acquire and rehabilitate foreclosed property, and has firmly committed $21,200,000 to the KYNSP2 Consortium. The fund has successfully raised millions of dollars in public and foundation resources and is using these funds to create loan loss reserve pools, which will in turn attract private investors to provide revolving lines of credit to localities and other local community development organizations for the acquisition and rehabilitation of vacant and foreclosed property.

The REO Capital Fund has been established to address the problem of the scarcity of financing. To address the problem of access to REO property, the Trust has developed an REO Property Acquisition Program, which permits the cost effective and transparent flow of foreclosed and abandoned properties from financial institutions to localities at below market property values, consistent with HUD NSP requirements. This process for facilitating the transfer of REO properties is offered at no cost to the NSP grantee and participating housing organizations. Over 30 state and local NSP grantees are now working with the Trust and by the end of the year the Trust will be working with over 100 grantees. Participating REO sellers include Freddie Mac, Fannie Mae, Bank of America/Countrywide, Chase/Wampum, CitiMortgage, GMAC, Wells Fargo/Wachovia and many others.

Other firmly committed funds to the KYNSP2 Consortium members include Kentucky Housing Corporation, $1.5 million; Community Ventures corporation, $3.3 million; Pennyrile Area Development District, $2.4 million; Habitat for Humanity International (cumulative), $150,000; the Bank of Jamestown, $265,000; PBI Bank, $500,000; the National Development Council, $875,000; BB&T, $1.5 million; Citizens Union Bank, $20 million. All funds will be used for acquisition and rehabilitation of foreclosed, abandoned and/or vacant properties that are NSP2-assisted.

Rating Factor Five – Energy Efficient Improvements/sustainable development

Energy Efficiency and Green Building

The Kentucky NSP2 Consortium is undertaking a pointed effort to encourage infill redevelopment within metropolitan and micropolitan areas; this strategy prevents urban sprawl, and reduces demand on infrastructure, whether it be roads, water or sewer systems, public transporta-

tion, etc. It also encourages the revitalization of city centers, which in recent years have lost population, commerce and have suffered from absentee landowner neglect and disrepair.

In addition to this infill/redevelopment effort, KYNSP2 members will be required to incorporate Energy Star appliances, light fixtures, etc., on all units, and will utilize green building standards where possible.

Likewise, local Habitat chapters will be encouraged to assist with deconstruction of any units that are demolished, to ensure that all practicable materials are salvaged and re-used.

All properties assisted with NSP2 funds will be redeveloped as housing; none will remain vacant.

The KYNSP2 Consortium encourages energy efficiency, green building and sustainability. It is aware of the Recommended Energy Efficient and Environmentally-Friendly Green Elements will make every effort to incorporate some of those features and products into new construction and rehabilitation projects. It is important to note that ALL units to be produced with Kentucky NSP1 funding will incorporate Energy Star wherever possible – this was a voluntary participation that every subrecipient offered to do for the state's NSP1 allocation.

Transit Accessibility

The following metropolitan areas provide full service mass transit services: Boone County – Transit Authority of Northern Kentucky (TANK); Ashland – Ashland Bus System (ABS); Louisville – Transit Authority of River City (TARC); Newport – TANK; Owensboro – Owensboro Transit System (OTS), Lexington/Fayette – Transit Authority of Lexington (LEXTRAN); Franklin County – Frankfort Transit System (FTS); Covington – TANK

Rating Factor 6: Neighborhood Transformation and Economic Opportunity

The activities proposed by the KYNSP2 Consortium are being undertaken by the most administratively capable, high-producing housing partners in the state; the express purpose is to rapidly arrest neighborhood decline, return foreclosed and abandoned homes to productive occupancy, and to stabilize the neighborhoods in which NSP1 and 2 funds (and program income) are invested.

In each area, the KYNSP Consortium and lead entity DLG certify that all activities are part of or consistent with multiple established comprehensive plans that address economic development, housing development, impediments to fair housing, and related. Links to these associated plans (i.e., Comprehensive Economic Development Strategies for various regions of the state) are included on DLG's web page on the Neighborhood Stabilization 2 portion. The link is: http://dlg.ky.gov/grants/federal/Neighborhood+Stabilization+Program+II.htm

The Consortium's work aligns with each region's CEDS, as well as municipality-specific redevelopment initiatives; NSP2 activities will increase the effectiveness of each.

Attachment 3

Kentucky NSP2 Consortium
Rehabilitation Standards

Subrecipients must meet all local housing codes, as well as requirements of the International Property Maintenance Code, in all rehabilitation work undertaken. New construction (to include reconstruction) must meet both local and Kentucky Residential Building Code.

Contingent upon the type of facility being rehabilitated or constructed, subrecipients must also meet the National Building Code, Standard (Southern) Building Code, or the Council of American Buildings Officials one or two family code, or the Minimum Property Standards found in 24 CFR 200.935 or 200.926; and occupancy standards for their new or reconstructed units.

At a minimum, the grantee must adopt the 2006 International Code Council (ICC) Property Maintenance Code. All new units must meet 2007 Kentucky Residential Code. To comply with HUD's Lead Safe Housing Rule (LSHR), rehabilitation to all units built prior to 1978 must follow prescribed rehabilitation practices and pass final clearance before re-occupancy of the unit. To be compliant with NSP2 housing construction accessibility standards all units must meet 24 CFR Part 8 which triggers the implementation of Section 504 of the Rehabilitation Act of 1973 and multi-family dwellings under 24 CFR 100, 201, and meet the construction/design requirements at 24 CFR 100.205 triggering the Fair Housing Act.

All units must be energy efficient and incorporate cost effective green improvements. All gut rehabilitation of residential buildings up to three (3) stories must be designed to meet the standard for Energy Star Qualified New Homes. All gut rehabilitation of mid-or-high-rise multifamily housing must be designed to meet American Society of Heating, Refrigerating, and Air-Condition Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent which is that standard piloted by the Environmental Protection Agency and the Department of Energy.

In addition, all rehabilitation work undertaken must replace older obsolete products and appliances, such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, washer and dryers, dishwashers, and refrigerators, with Energy-Star-labeled products. Units must install efficient toilets, showers, and faucets, such as those with the WaterSense label. Where relevant, all housing units should be improved to mitigate the impact of disasters.
As required by subgrantees' individual program designs, and mutually via the KYNSP2 Consortium Agreement, NSP2 subrecipients will also adhere to the extent possible to HUD's **Recommended Energy Efficient and Environmentally-Friendly Green Elements,** specifically:

A. Renewable Energy

1. *Passive Solar.* Orient the building to make the greatest use of passive solar heating and cooling.
2. *Photovoltaic-ready.* Site, design, engineer and wire the development to accommodate installation of photovoltaic panels in the future.

B. Sustainable Site Design

1. *Transportation Choices.* Locate projects within a one-quarter mile of at least two, or one-half mile of at least four community and retail facilities.
2. *Connections to Surrounding Neighborhoods.* Provide three separate connections from the development to sidewalks or pathways in surrounding neighborhoods.

3. *Protecting Environmental Resources.* Do not locate the project within 100 feet of wetlands; 1,000 feet of a critical habitat; or on steep slopes, prime farmland or park land.
4. *Erosion and Sediment Control.* Implement EPA's Best Management Practices for erosion and sedimentation control during construction.
5. *Sustainable Landscaping.* Select native trees and plants that are appropriate to the site's soils and microclimate.
6. *Energy Efficient Landscaping.* Locate trees and plants to provide shading in the summer and allow for heat gain in the winter.

C. Water Conservation

1. *Efficient Irrigation.* Install low volume, non-spray irrigation system (such as drip irrigation, bubblers, or soaker hose).

D. Energy Efficient Materials

1. *Durable Materials.* Use materials that last longer than conventional counterparts such as stone, brick or concrete.
2. *Resource Efficient Materials.* Use layouts and advanced building techniques that reduce the amount of homebuilding material required.
3. *Heat Absorbing Materials.* Use materials that retain solar heat in winter and remain cool in summer.
4. *Solar-reflective Paving.* Use light-colored/high-Aledo materials and/or open-grid pavement with a minimum Solar Reflective index of 0.6 over at least 30 percent of the site's hard caped areas.
5. *Local Source Materials.* Use materials from local sources that are close to the job site.
6. *Green Roofing.* Use Energy Star-compliant and high-emissive roofing, and/or install a Green (vegetated) roof for at least 50 percent of the roof area; or a combination of high-Aledo and vegetated roof covering 75 percent of the roof area.

E. Healthy Homes

1. *Green Label Certified Floor Covering.* Do not install carpets in basements, entryways, laundry rooms, bathrooms or kitchens; if using carpet, use the Carpet and Rug Institute's Green Label certified carpet and pad.
2. *Healthy Flooring Materials: Alternatives.* Use non-vinyl, non-carpet floor coverings in all rooms.
3. *Healthy Flooring Materials: Reducing Dust.* Install a whole-house vacuum system with high efficiency particulate air filtration.
4. *Sealing Joints.* Seal all wall, floor and joint penetrations to prevent pest entry; provide rodent and corrosion proof screens (e.g., copper or stainless steel mesh) for large openings.
5. *Termite-resistant Materials.* Use termite-resistant materials in areas known to be infested.
6. *Tub and shower Enclosures: Moisture Prevention.* Use one-piece fiberglass or similar enclosure or, if using any form of grouted material, use backing materials such as cement board, fiber cement board, fiber-glass reinforced board or cement plaster.
7. *Green Maintenance Guide.* Provide a guide for homeowners and renters that explains the intent, benefits, use and maintenance of Green building features, and encourages additional Green activities such as recycling, gardening and use of healthy cleaning materials.
8. *Resident Orientation.* Provide a walk-through and orientation to the homeowner or new tenants.