

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION of FINANCIAL ASSISTANCE**

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**CDBG****MANAGEMENT MEMORANDUM**

Community Development Block Grant Program

Memorandum Number 07- 10

Date: September 27, 2007**TO:** Eligible CDBG Jurisdictions**From:** Chris Westlake
Deputy Director, Division of Financial Assistance**SUBJECT: USE OF CDBG FUNDS FOR CREDIT COUNSELING**

This memo is to notify Community Development Block Grant (CDBG) grantees of their options for using CDBG funds in response to the issue of homeownership defaults.

Eligible CDBG jurisdictions with open grant allocations may redirect their available funds to operate a credit counseling program.

Existing open CDBG grants:

If a jurisdiction has an existing homebuyer program, a homeownership counseling program open to all potential homeowners and existing homeowners can be added to the program.

If the jurisdiction does not have an existing homebuyer program, CDBG funds may be utilized by existing grantees for homeownership counseling by requesting redirection of funds from other CDBG eligible activities. A resolution by the governing body authorizing the change in activity along, detailing the amount of funds redirected, the types of activities funded, along with milestone and completion dates must be submitted to the Department. Grantees would be required to hold a public hearing on the proposed changes to the existing grants. After review and approval by the Department, and depending on the activity, the standard agreement may need to be amended to incorporate the change in activity. The National Environmental Protection Act (NEPA) review must also be completed for the proposed activity.

Program Income held at the local level:

Grantees may redirect their program income funds to homeownership counseling services. Program Income may be used to augment funding for an existing open CDBG grant activity or on any Program Income Revolving Loan Activity. This process may bring a quicker access to funds. However depending on the grantee's Reuse Plan, a revised Reuse Plan may have to be drafted and a public notice held to allow citizen input on the proposed changes. Once approved, and the NEPA clearance is obtained, the local jurisdiction may start directing their program income funds immediately, without having to process a contract amendment.

To summarize the process. The Department would need documentation of the following:

1. A public hearing was held to allow comments on any proposed changes in activity;
2. A Resolution from the governing body approving the change in activity, listing the dollar amounts and type of CDBG eligible recovery activities; and
3. If needed, a NEPA environmental review for the proposed activities.

Federal overlay requirements apply to all activities. Please work with your CDBG representative if you elect to redirect the use of either Program Income or existing open grant funds on home ownership counseling.