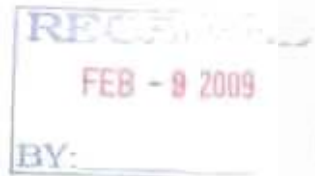




U.S. Department of Housing and Urban Development

Omaha Field Office
Edward Zorinsky Federal Building
1616 Capitol Avenue, Suite 329
Omaha, Nebraska 68102-4908



February 6, 2009

Mr. Richard Baier
Nebraska Department of
Economic Development
301 Centennial Mall South
Lincoln, NE 68509-4666

Dear Mr. Baier:

This letter serves as a follow-up to our February 5th phone call with Ms. Lara Huskey of your staff. The purpose of the call was to inform the State of Nebraska that HUD cannot approve your Neighborhood Stabilization Program (NSP) amendment at this time, since it still does not meet the NSP requirements regarding the areas of greatest need and distribution of funds.

The NSP requirements were set forth in the Department's October 6, 2008 Federal Register Notice and have been supplemented with additional guidance, including postings on the NSP website. Problems with Nebraska's NSP amendment were initially communicated in our December 22, 2008 letter. There have been subsequent communications via email and phone.

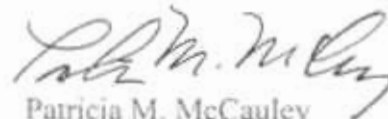
An NSP grantee is required to provide data and a compelling rationale to identify the areas of greatest need in their jurisdiction, which must then correlate with the distribution of NSP funds. We acknowledge that obtaining foreclosure-related data for a rural state is more difficult. However, the information provided by the State is not from the same data source for all areas (one source used for cities and two different sources used for counties), so a simple comparison could not be made. An explanation is needed to describe how the different data was analyzed and compared in order to ascertain each area's need and the rationale for determining the areas of greatest need. Furthermore, the State has essentially not identified the areas of greatest need, since the whole state is being funded. If an area is not an area of greatest need, it cannot be funded.

Additionally, the intent of the NSP funding was to focus the funds in areas with the greatest percentage of home foreclosures, subprime loans, or likeliness to face a significant increase in the rate of home foreclosures in order to make an impact. The State's scoring system for NSP pre-applications and project applications is not consistent in providing the most points to projects that meet this intent and which are definitely eligible NSP activities. Finally, there is a concern regarding Step 7 of the distribution process regarding the handling of projects in more than one need level and how that skews the amount of funds going to that level.

Please submit additional data/explanation that provides a clear rationale for areas of greatest need and distribution of funds that meets all of the NSP targeting requirements. Since it is essential that the State's NSP amendment be approved as soon as possible to avoid the loss of funding, we request that this information be forwarded to us no later than February 10th.

If you have any questions regarding this matter, you may contact Ms. Teri Robertson, Community Planning and Development Representative at 402/492-3149.

Sincerely,



Patricia M. McCauley
Director
Community Planning and
Development Division

✓ cc: Ms. Lara Huskey