

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4348-N-02]

Fiscal Year 1999 Notice of Funding Availability; Secondary Market for Non-Conforming Loans to Low-Wealth Borrowers Demonstration Program

AGENCY: Office of the Assistant Secretary for Housing-Federal Housing Commissioner, HUD.

ACTION: Notice of funding availability (NOFA) for Fiscal Year 1999.

SUMMARY: This NOFA announces the availability of \$10,000,000 in funding for grants to qualified nonprofit organizations to demonstrate methods of expanding the secondary market for non-conforming home mortgage loans to low-wealth borrowers. The NOFA is issued under the HOME Investment Partnership Program.

Purpose. To enhance homeownership opportunities for low-wealth borrowers by enabling nonprofit intermediaries (including Community Development Financial Institutions) to purchase non-conforming home loans from conventional lenders, document the performance of these pools of affordable mortgages, and thereby encourage the secondary market and institutional investors to expand purchases of, or investments in, loans made to low-income home buyers. The goal of the demonstration is to expand the secondary market by ensuring that non-conforming loans have a receptive and dependable outlet.

Available Funding. \$10,000,000.

APPLICATION DUE DATE: Requests for funding must be physically received by 4:30 p.m. Eastern Time on May 10, 1999. It is NOT sufficient for a request to bear a postmark within the deadline. *Requests for funding sent by facsimile (FAX) will not be accepted.* The deadline is firm as to date and hour, and HUD will treat as ineligible for consideration requests for funding received after the deadline. Respondents should take this policy into account and consider early submission to avoid any risk of loss of eligibility brought about by any unanticipated or delivery-related problems.

ADDRESS FOR SUBMITTING REQUESTS FOR FUNDING: One original and two copies of the request for funding must be submitted to HUD Headquarters, Office of Insured Single Family Housing, Room 9266, 451 Seventh Street, SW, Washington, DC 20410, *ATTN: Secondary Market Demonstration Program.*

FOR FURTHER INFORMATION CONTACT:

Vance T. Morris, Director, Home Mortgage Insurance Division, Department of Housing and Urban Development, Room 9266, 451 Seventh Street, SW, Washington, DC 20410; telephone (202) 708-2700, ext. 2204. (This is not a toll-free number.) Hearing- or speech-impaired individuals may access this number via TTY by calling the toll-free Federal Information Relay Service at 1-800-877-8339.

SUPPLEMENTARY INFORMATION:

I. Background—Building on the Advance Notice of Demonstration Program

On August 4, 1998 (63 FR 41703), HUD published an Advance Notice of Demonstration in the **Federal Register**. In this notice, HUD advised the public of its intent to establish a program that would demonstrate methods of expanding homeownership opportunities for low-income borrowers by expanding the secondary market for non-conforming home mortgage loans to low-wealth borrowers. In this notice, HUD also presented questions to solicit public comment on several issues. Public comments were received from seven entities. HUD's questions and a summary of the comments received are set forth below.

Question 1: What should be the desired and expected outcomes of the demonstration program?

Responses:

(a) The program should be developed to ensure that new/additional loans are made to low-wealth borrowers rather than just providing for additional liquidity for lenders.

(b) Other goals include increasing the number of:

- (i) Lenders engaged in non-conforming lending; and
- (ii) Non-conforming loans made by private lenders and purchased by secondary market providers.

Question 2: How should HUD define a "low-wealth" borrower for this demonstration program?

Responses:

(a) Use an asset test.

(b) Require that borrowers have liquid assets of less than 80% of the national median net worth.

(c) Define a low-wealth borrower to be a borrower who:

- (i) Is a first-time homebuyer;
- (ii) Has a loan-to value ratio of 95% or more; and
- (iii) Has income at or below 80% of area median income.

(d) Limit using demo funds for borrowers under 80% of area median income families, but strongly

recommended studying borrowers at or below 115% of area median income.

(e) Pay particular attention to families with incomes under \$20,000 a year.

Question 3: What would be the characteristics of an effective strategy?

Responses:

(a) Commenters listed the following characteristics:

- (i) Obtains a great deal of data;
- (ii) Leverages demonstration funds;
- (iii) Results in a significant level of additional loans to low-wealth borrowers;
- (iv) Provides thorough documentation of loan performance;
- (v) Provides pre-purchase and post-purchase housing counseling.

(b) Should involve current secondary mortgage makers whose recordkeeping and administrative systems would lend credibility to the results.

Question 4: What are the best measures to assess a strategy's potential impact on the future availability of private credit to low-wealth borrowers?

Responses: Long term, it (the program) should be able to measure and account for the results in a predictable manner. Shorter term, it should measure the number of additional non-conforming loans made by participating lenders that would not otherwise have been made.

Question 5: What factors might HUD consider in defining "experience working with lenders" for this demonstration program? What factors might be more (or less) relevant in an applicant's experience working with lenders?

Responses:

(a) Commenters indicated that relevant legal agreements, such as loan sale and loan servicing agreements, could be indicators of experience.

(b) Other factors include:

- (i) Number of years the secondary market provider has worked with private lenders;
- (ii) Total number of non-conforming loans purchased and the extent to which a participating private lender's underwriting criteria is influenced by the secondary market provider's purchase requirements.

Question 6: A "non-conforming loan" is generally defined as a loan that does not meet Fannie Mae and Freddie Mac underwriting criteria. Should other definitions be considered?

Responses:

(a) For a demonstration, the definition should be as expansive as possible. It should be any loan that is so classified by the originating lender *at time of origination* and which they would otherwise hold in portfolio.

(b) The demonstration should not include a loan which at time of purchase has a poor payment record.

(c) The following loans are inappropriate for the demonstration:

- (i) Unseasoned loan;
- (ii) A loan that may require a second mortgage loan committee review; or
- (iii) A loan that does not meet conventional appraisal standards.

(d) Should include lack of mortgage insurance because the existing secondary market does not buy loans without mortgage insurance.

Question 7: How should HUD assess the applicant's experience in expanding the secondary market for such loans for this demonstration program?

Responses:

(a) Assessment should be based on experience in expanding the secondary market for non-conforming loans based on originating, purchasing and selling non-conforming loans. Applicant should have experience with 3 of the following:

- (i) Fannie Mae;
- (ii) Freddie Mac;
- (iii) The capital markets; and
- (iv) Private mortgage insurance companies.

(b) Should include direct experience in operating a secondary market by factors such as:

- (i) Volume of loans purchased;
- (ii) Geographic diversity; and
- (iii) Performance of portfolio.

(c) Should include current experience evidenced by special loan products offered by the secondary market.

(d) Should include experience of applicant or its affiliates in originating non-conforming loans by factors such as:

- (i) Volume;
- (ii) Loan performance record; and
- (iii) Geographic diversity, including urban and rural mix.

Question 8: The House Report indicates that the demonstration portfolios should consist of loans that are non-conforming due to high loan-to-value ratio, missed payments, credit blemishes, or a lack of credit. Are these factors adequate, or are there other factors that HUD should evaluate?

Responses:

(a) Should not include missed payments on the loan involved. Should maintain a distinction between "nonperforming" loans and "non-conforming" loans. HUD should consider front and back debt ratios, amount of down payment and the property location.

(b) Other factors could include loans for properties that the secondary market might regard as obsolete, loans in neighborhoods that may be regarded as

high-risk, or loans to borrowers with low credit scores.

(c) The entire list of common reasons that Fannie Mae, Freddie Mac, and private mortgage insurance companies decline loans should be candidates for evaluation.

Question 9: Are there any compensating characteristics among such borrowers that are not criteria recognized in conventional or standard underwriting guidelines?

Responses: The demonstration could consider macro compensating characteristics such as:

- (a) Lower default rates among low-income homebuyers as compared to middle- and high-income families; and
- (b) Benefits of pre- and post-purchase homeownership counseling and early foreclosure prevention intervention.

Question 10: How should HUD determine "demonstrated success" for this program?

Responses:

(a) By evidence of actual receipt of non-Federal grants and actual loan closing on concessionary terms to support secondary market-related activities during a two-year period;

(b) By documenting performance and loss characteristics on loans made or facilitated; and

(c) By examining working relationships with lenders who make non-conforming loans to low-income borrowers.

Question 11: For purposes of the demonstration program, is there a preferred use of the funds? Should the efficiency of leverage in the use of the funds be a requirement?

Responses:

(a) There should be a 10:1 leverage ratio with the preferred use of funds being as capital reserves. Demonstration funds should not be used solely to originate or purchase loans. Using these funds for capital reserves, loan guarantees, and loan loss reserves would generate more funding through leveraging.

(b) The preferred use of funds should not be established at the application stage.

Question 12: The FY 1998

Appropriations Act also requires that the selected applicant must "have demonstrated the ability to provide data on the performance of such loans sufficient to allow for future analysis of the investment risk of such loans." What information does HUD need to collect?

Responses:

(a) Recommended that awardees collect the following information:

- (i) Demographics of borrower;
- (ii) Reasons why loan is classified as non-conforming;

(iii) Front-end and back-end debt ratios;

(iv) Age of loan at time of purchase;

(v) Whether borrower received pre-purchase counseling;

(vi) Who provided the counseling and the type/extent of counseling;

(vii) Delinquencies (number of loans and percentage of portfolio at 30, 60, and 90 days);

(viii) For loans at least 60 days delinquent, actions taken or planned to address loan delinquency;

(ix) Number of loans and percentage of portfolio in default (more than 90 days delinquent);

(x) Actions taken to correct default;

(xi) Number and percentage of loans restructured;

(xii) For each loan restructured, the specific terms of the restructuring; and

(xiii) For each loan in default an indication whether the borrower received post-purchase counseling.

(b) Information to be tracked should be predefined and ultimately uniform, but HUD should let the awardees develop the content and specific format.

(c) The information used should be standard data used by the secondary market.

Question 13: How frequently and for how long a duration of time should this information be reported?

Responses:

(a) The information should be reported annually in an aggregated manner.

(b) The information should be maintained and collected for at least 8 years.

(c) Awardees should be able to use a modest portion of the grant to defray additional administrative costs during the reporting period.

Question 14: In order to maximize the credibility and impact of the demonstration, the conferees expect HUD to give priority to applicants that have "sophisticated existing data collection capabilities, including adequate loan portfolio monitoring and analysis." How might HUD assess data collection capability?

Responses:

(a) HUD can assess the capability through a narrative section of the application which would include:

(i) A statement of whether the applicant or affiliate has a designated data collection unit where data collection and analysis rests;

(ii) The number of staff directly responsible for these task and their percentage of time;

(iii) The qualifications of data collection and analysis managers and staff; and

(iv) A detailed statement of the types of data currently collected, the

frequency of collection, and an explanation of how the data are collected, maintained and used.

(b) HUD may consider a statement from the applicant which includes:

- (i) The applicant's hardware and software capabilities;
- (ii) The number of loans in the applicant's system;
- (iii) The current data collection mechanisms;
- (iv) The staff capacity for data collection responsibilities;
- (v) The applicant's experience with formal reporting on lending activities; and
- (vi) The ability to provide a longitudinal analysis that is based upon years of lending experience.

Question 15: The conferees expect the Secretary to give priority to organizations that have statewide or multi-state service areas, and have a mix of urban and rural loans. How important is a diversified portfolio in assessing investment risk for purposes of the criterion described above?

Responses: Two commenters stressed geographic diversity and urban, suburban and rural representation. One commenter recommended that at least 80 percent of a portfolio be from inner cities and rural areas.

Question 16: Should automated mortgage finance tools, such as credit or mortgage scoring, be evaluated in this demonstration? Are there other tools that should be examined?

Responses: Commenters gave both answers: No, because the scale of the program is too small and the length of the program is too short to reach any conclusion on credit or mortgage scoring. Yes, because the objective should be to determine the degree to which the average scores and mortgage scores on approved loans in a study differ from those on a similar category of approved loans by the secondary market providers.

II. The Demonstration Program for Secondary Market for Non-Conforming Loans to Low-Wealth Borrowers—Purpose and Substantive Description

(A) **Authority.** The Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1998 (Pub.L. 105-65, 111 Stat. 1344, 1359, approved October 27, 1997) (the "FY 1998 Appropriations Act") set aside \$10 million from the HOME Investment Partnerships program for grants for up to three organizations (including Community Development Financial Institutions) that are exempt from Federal taxation under section 501(a) pursuant to section 501(c)(3) of the

Internal Revenue Code of 1986, selected on a competitive basis, to demonstrate methods of expanding homeownership opportunities for low-wealth borrowers through expanding the secondary market for non-conforming home mortgage loans. No separate implementing regulations will be issued.

(B) **Purpose of the Demonstration Program and Requirements.** As noted earlier, the Secondary Market Demonstration Program is intended to demonstrate methods of expanding homeownership opportunities for low-income borrowers through expanding the secondary market for non-conforming home mortgage loans made to low-wealth borrowers. The applicant is required to go beyond addressing the immediate credit needs of lower-income borrowers to one of developing a *strategy* for expanding the secondary market for affordable home mortgage loans. The use of loan loss pools to support the purchase, holding and subsequent sale of non-conforming loans from lenders is highly desirable. The goal is for the lenders involved in this demonstration to use the proceeds from such sales to make additional non-conforming loans to low-wealth borrowers. Because of the demonstration nature of this project, successful grantees *must* be able to show the ability to adequately collect data on the underwriting and performance of the loans purchased.

(C) Applicable Definitions for Purposes of this Demonstration.

Low Wealth means a borrower who:

- (1) Is a first-time homebuyer;
- (2) Has a loan-to-value ratio of 95% or more;
- (3) Has income at or below 80% of area median income; and
- (4) Has insufficient funds required for downpayment and closing costs associated with the mortgage transaction.

Non-conforming mortgages are defined to include loans which are classified by the originating lender *at the time of origination* as non-conforming and which the lender would otherwise plan to hold in portfolio because there is not a predictable secondary market outlet for it. Examples of non-conforming loans include, but are not limited to, loans in neighborhoods that may be regarded as high-risk, a unseasoned loan, or loans to borrowers with low credit scores. It does not include loans that have, at the time of purchase, missed payments on that particular loan.

(D) **Eligibility Criteria.** In selecting the grantees for this demonstration program, the FY 1998 Appropriations Act

provides the criteria for participating in this demonstration program. The applicant must address each in its proposal:

- (1) Verification that the applicant is exempt from Federal Taxation under section 501(a) pursuant to 501(c)(3) of the Internal Revenue Code of 1986;
- (2) Experience working with lenders who make non-conforming loans to low-wealth borrowers;
- (3) Experience in expanding the secondary market for such loans (to low-wealth borrowers);
- (4) Demonstrated success in carrying out such activities, including raising non-Federal grants and capital on concessionary terms for the purpose of expanding the secondary market for loans in the previous two years in amounts equal or exceeding the amount awarded; and
- (5) Demonstrated ability to collect and provide data on the performance of such loans purchased, and sufficient enough in size to allow for future analysis of the investment risk of such loans.

(E) **Threshold Requirements.** Applicants must provide proof/certification of:

(1) **Exempt from Federal Taxation.** The applicant must submit proof that it is exempt from Federal Taxation under section 501(a) pursuant to section 501(c)(3) of the Internal Revenue Code of 1986.

(2) **Compliance with Fair Housing and Civil Rights Laws.** Applicants must comply with all fair housing and civil rights laws, statutes, regulations, and executive orders as enumerated in 24 CFR 5.105(a). If an applicant: (a) has been charged with a systemic violation of the Fair Housing Act by the Secretary alleging ongoing discrimination; (b) is the defendant in a Fair Housing Act lawsuit filed by the Department of Justice alleging an ongoing pattern or practice of discrimination; or (c) has received a letter of noncompliance findings under Title VI of the Civil Rights Act, section 504 of the Rehabilitation Act of 1973, or section 109 of the Housing and Community Development Act, the application will not be evaluated under this NOFA if, prior to the application deadline, the charge, lawsuit, or letter of findings has not been resolved to the satisfaction of the Department. HUD's decision regarding whether a charge, lawsuit, or a letter of findings has been satisfactorily resolved will be based upon whether appropriate actions have been taken necessary to address allegations of ongoing discrimination in the policies or practices involved in the charge, lawsuit, or letter of findings.

(3) *Additional Nondiscrimination Requirements.* Applicants also must comply with the Americans with Disabilities Act, and Title IX of the Education Amendments Act of 1972, as applicable.

(4) *Affirmatively Furthering Fair Housing.* Successful applicants have a duty to affirmatively further fair housing. Applicants should include in their work plans the specific steps that they will take to promote fair housing rights and fair housing choice.

(5) *Forms, Certifications and Assurances.* Applicants are required to submit signed copies of the standard forms, certifications, and assurances that are included as attachments to this NOFA.

(6) *OMB Circulars.* The policies, guidance, and requirements of OMB Circular No. A-122 (Cost Principles for Nonprofit Organizations) and OMB Circular No. A-133 (Audits of States, Local Governments, and Non-Profit Organizations), and the requirements of 24 CFR part 84 (Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations) apply to the award, acceptance and use of assistance under this NOFA, and to the remedies for noncompliance, except when inconsistent with the provisions of the FY 1998 HUD Appropriations Act, other Federal statutes or the provisions of this NOFA. Copies of the OMB Circulars may be obtained from EOP Publications, Room 2200, New Executive Office Building, Washington, DC 10503, telephone (202) 395-7332 (this is not a toll free number).

(7) *Coastal Barriers and Flood Insurance.* Pursuant to the Coastal Barriers Resources Act (16 U.S.C. 3501), recipients may not use funds provided under this NOFA to purchase mortgages on properties located within the Coastal Barriers Resource System.

Pursuant to the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001-4128), recipients may not use funds provided under this NOFA to purchase mortgages on properties located in special flood hazard areas designated by the Federal Emergency Management Agency (FEMA) unless:

(1) The community in which the property is located is participating in the National Flood Insurance Program, or less than one year has passed since FEMA notification regarding such hazards; and

(2) Where the community is participating in the National Flood Insurance Program, flood insurance covering the building or mobile home and any personal property has been

obtained and is a condition of the mortgage.

Review of Eligibility Criteria and Threshold Requirements. HUD will review each application to determine whether the application meets all of the eligibility criteria and threshold requirements listed in Sections II.D and E of this NOFA and will conduct a review of the required certifications and information listed in this section. HUD may check to independently verify information contained in the request for funding or request additional information from the respondent. HUD may contact the applicant, however, to clarify an item in the application or to correct *technical* deficiencies. HUD may not seek clarification of items or responses that improve the substantive quality of the applicant's response to any eligibility or selection factors. *Examples* of curable (correctable) technical deficiencies include the failure to submit the proper certifications or the failure to submit an application that contains an original signature by an authorized official. In each case, HUD will notify the applicant in writing by describing the clarification or technical deficiency. HUD will notify applicants by facsimile or by return receipt requested. Applicants must submit clarifications or corrections of technical deficiencies in accordance with the information provided by HUD by no later than 4:30 p.m. (eastern time) on the 14th calendar day after the date of receipt of the HUD notification. If the deficiency is not corrected within this time period, HUD will reject the application as incomplete, and it will not be considered for funding.

(F) *Application Selection Process.* Applicants that meet the threshold review described above, will have their proposal reviewed and scored by HUD Headquarters staff based on selection factors listed in Section II.H below. Applications will be funded in rank order.

(G) *Number of Applicants to be Selected.* Up to three applicants meeting the requirements outlined in this NOFA will be selected for funding. Funding may not be awarded in equal amounts if more than one applicant is selected. HUD reserves the right to fund less than the full amount requested in any application to ensure the fair distribution of the funds and ensure that the purposes of the demonstration are met. HUD may choose not to fund portion of the applications that are ineligible for funding under applicable statutory requirements or which do not meet the demonstration requirements. If funds remain after funding the highest ranking applications, HUD may fund

part of the next highest ranking application. If the applicant turns down the award offer, HUD will make the same determination for the next highest ranking application.

(H) *Rating and Ranking Factors.*

Rating factor 1: Experience of the Applicant as determined by HUD (25 points).

Applicants will be rated on the narrative and supporting materials which document the experience level of the applicant.

(1) The applicant should provide substantive examples of its experience working with lenders who make non-conforming loans to low-wealth borrowers. Substantive examples means that the applicant describes previous projects (and outcomes) relevant to this demonstration. (10 points)

(2) The applicant should describe the demographic data on the pool(s) of loans purchased or otherwise obtained, including, number of loans (pool size), target markets and explanations of why purchased along with characteristics of selected areas (median income, etc.), Borrower demographics (income, age, sex, race, national origin, familial status, and persons with disabilities) and collateral characteristics (property value). (10 points)

(3) The applicant should describe the origination requirements (required ratios, downpayment requirements, loan-to-value, etc.), counseling requirements, both pre- and post purchase and servicing intervention techniques, a provide the default rate on these loans (if available). (3 points)

(4) The applicant should describe how previous programs have specifically benefited borrowers. (2 points)

The applicant will receive higher scores for narratives which include projects with several lenders and include large pools with loans in statewide or multi-state areas and both urban and rural areas. In addition, higher scores will be granted for those applicants demonstrating specific counseling requirements and servicing intervention techniques.

Rating Factor 2: Data Collection and Analysis Capabilities of the Applicant as determined by HUD (20 points).

Applicants will be rated on the narrative and supporting materials which clearly document the data collection and analytical capabilities of the applicant. The applicant must provide a description of:

(1) The applicant's experience with formal reporting on lending activities and samples of reports currently used (or a format for the reports which will

be submitted to the Department) to capture the information needed for this demonstration and for reports to Congress. (6 points)

(2) A description of the current data collection capabilities; (6 points)

(3) The professional staff available for data collection and analysis; (3 points)

(4) The applicant's hardware and software capabilities; (3 points)

(5) The number of loans currently in the applicant's system. (2 points)

Applicants will receive higher scores for demonstrating *existing* data collection capabilities including loan portfolio and monitoring/analysis systems. In addition, the applicant must have professional staff on hand, adequate computer systems (Pentium or higher processor) and present samples of reports which indicate that the applicant is able to efficiently collect and report data on this demonstration.

Rating Factor 3: Adequacy of the activities proposed by the applicant in response to this NOFA (35 points).

The applicant will be rated on the narrative and supporting materials which document how the grant funds will be used, if awarded, to expand the secondary market. The applicant must provide:

(1) The extent to which the funds awarded will be used. A comprehensive approach is preferable to an approach which simply provides *only* for the purchase or origination of loans). A description of the proposed program and how it will operate, (e.g., how it will be used to purchase, hold, and/or sell non-conforming loans or how a loan loss reserve will be used). The materials should provide information on the following:

(a) Target market to be reached (both the location of borrowers and their demographic characteristics);

(b) How the proposed program meets a market niche (for example, an explanation of how the target borrowers are underserved by both conventional and governmental loan programs);

(c) Origination, servicing, loss mitigation, counseling requirements; the Department *requires* the applicant to maintain a record of credit scores for all loans involved in this demonstration. The credit score should not be used to qualify borrowers. This information will be used to determine if there is a correlation between credit scores and loan performance;

(d) Credit enhancements;

(e) Investor requirements, if applicable and;

(f) A description of the expected characteristics of loans in the portfolio it will evaluate in its proposal (i.e.,

those elements that make the loans non-conforming), and describe how it will determine if there are compensating factors associated with those mortgages in the portfolio that are not recognized in traditional or standard underwriting. (20 points)

(2) How the funds awarded will be matched with non-Federal funds. (5 points)

(3) How the funds will be leveraged (lender commitments are expected). (5 points)

(4) A sample of the proposed quarterly report which will be submitted to the Department and other aspects of the program must be described including, but not limited to, the administrative structure and program monitoring and the identification of participating lenders. The program description must be complete and demonstrate that the respondent can fulfill programmatic obligations within 24 months. Reports on the loan performance are required for an additional 60 months. In describing the program, respondents must include a program schedule and performance benchmarks for the 24 month period of the grant agreement. Finally, a budget which includes the sources and uses of all funds, including program income and accrued interest, a description of the respondent's cash management system and proposed distribution of funds among participating organizations. (3 points)

(5) Key staff who will be responsible for implementing the program must be identified along with adequate descriptions of their qualifications. (2 points)

Applicants will be given higher scores for comprehensive approaches, lender commitments to participate with the applicant in this program, and a plan which indicates a specific market niche to be reached and how the applicant's program meets that market. Applicants will lose points if they do not indicate that they will collect credit scores for analytical purposes.

Rating Factor 4: Evidence of success in carrying out activities such as these including raising non-Federal grants and capital on concessionary terms for the purpose of expanding the secondary market for loans in the previous two years in amounts equal to or exceeding the amount awarded (20 points).

(1) The applicant will be rated on the narrative and supporting documentation which support at least *two years* experience in leveraging non-Federal funds. (10 points)

(2) The applicant must show evidence of the prior financial commitments

(letters and written agreements) that were used to administer previous programs. These letters and agreements should indicate the date of award, the amount of funds awarded and information regarding how these funds were used to expand the secondary market. (10 points)

Applicants will be given higher scores for demonstrating a longer track record of leveraging public sector funds and a willingness to match funds awarded under this demonstration with non-Federal funds.

(I) *Other Federal Requirements.* HUD may reject an application from further funding consideration if the activities or projects proposed in the application are not eligible activities and projects, or HUD may eliminate the ineligible activities from funding consideration and reduce the grant amount accordingly.

(J) *Unused and Recaptured Funds.* HUD will recapture undisbursed amounts from the grantees who fail to substantially fulfill, or improperly fulfill, these obligations within 24 months. Reports will be required for 60 additional months. The successful grantees will be paid according to a draw schedule that will allocate between 25–50% of the funds at the time of grant award and the remainder following the receipt and detailed reviews of quarterly reports outlining the progress of the demonstration. If the grantee fails to fulfill, or improperly fulfills its obligations, HUD at its discretion may either:

(1) Recapture the funds and use for other purposes (as permitted);

(2) Readvertise availability of funds that have been recaptured; or

(3) Choose to fund alternate applicants that submitted requests for funding in response to this NOFA in accordance with the selection process described elsewhere in this document.

III. Request for Funding-Organization of the Proposal Package

Application Submission Requirements. The information submitted to HUD should be placed in a three ring binder, tabbed appropriately and appear in the following order:

(1) Evidence of the respondent's nonprofit status, such as a copy of a current IRS ruling that the respondent is exempt from taxation under section 501(a) pursuant to section 501(c)(3) of the Internal Revenue Code of 1986.

(2) Required certifications (listed below):

(a) Evidence of adequate existing financial control procedures, indicating how it meets 24 CFR 84.21, "Standards for Financial Management Systems." In

addition, respondents must provide a copy of their most recent audit.

(b) OMB Standard Form 424, Request for Federal Assistance.

(c) Form HUD-2880, Applicant/Recipient Disclosure Update Report as required under subpart C of 24 CFR part 4, subpart A, "Accountability in the Provision of HUD Assistance."

(d) Standard Form 424B, Assurances-Non-Construction Programs.

(e) Certification Concerning Use of Federal Funds for Lobbying, Form SF-LLL.

(f) Form HUD-2992 regarding the employment, engagement of services, awarding of contracts, subgrants, or funding of any recipients, or contractors or subcontractors, during any period of debarment, suspension, or placement in ineligibility status.

(3) Information to address the experience level of the applicant (Rating Factor 1);

(4) Information to address the data capabilities of the applicant (Rating Factor 2);

(5) Information to address the adequacy of the proposed activities of the applicant (Rating Factor 3) and;

(6) Information to address the applicant's success in raising non-Federal grant and capital on concessionary terms (Rating Factor 4).

IV. Findings and Certifications

Paperwork Reduction Act Statement

The information collection requirements contained in this NOFA have been reviewed by the Office of Management and Budget in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and 5 CFR 1320.13 and have been assigned OMB control number 2502-0535. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection unless the collection displays a valid control number.

Environmental Impact

A Finding of No Significant Impact with respect to the environment has been made for the program in accordance with HUD regulations at 24 CFR part 50, which implements section 102(2)(C) of the National Environmental Policy Act of 1969. The Finding is available for public inspection between 7:30 a.m. and 5:30 p.m. weekdays in the Office of the Rules Docket Clerk, Office of the General Counsel, Department of Housing and Urban Development, Room 10276, 451 Seventh Street, SW, Washington, DC 20410.

Conflicts of Interest

If the selection or non-selection of any applicant under this NOFA affects the individual's financial interests set forth in 18 U.S.C. 208 or involves any party with whom the individual has a covered relationship under 5 CFR 2635.502, that individual must, prior to participating in any matter regarding this NOFA, disclose this fact to the General Counsel or the Ethics Law Division.

Federalism Executive Order

The General Counsel, as the Designated Official under section 6(a) of Executive Order 12612, *Federalism*, has determined that the policies contained in this NOFA will not have substantial direct effects on States or their political subdivisions, or on the relationship between the Federal Government and the States, or on the distribution of power and responsibilities among the various levels of government. Specifically, the NOFA solicits applicants to demonstrate methods of expanding the secondary market for non-conforming home mortgage loans to low-wealth borrowers, and does not impinge upon the relationships between the Federal government and State and local governments. As a result, the NOFA is not subject to review under the Order.

Section 102 of the HUD Reform Act; Documentation and Public Access Requirements

Section 102 of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3545) (HUD Reform Act) and the regulations codified in 24 CFR part 4, subpart A, contain a number of provisions that are designed to ensure greater accountability and integrity in the provision of certain types of assistance administered by HUD. On January 14, 1992 (57 FR 1942), HUD published a notice that also provides information on the implementation of section 102. The documentation, public access, and disclosure requirements of section 102 apply to assistance awarded under this NOFA as follows:

(1) *Documentation and public access requirements.* HUD will ensure that documentation and other information regarding each application submitted pursuant to this NOFA are sufficient to indicate the basis upon which assistance was provided or denied. This material, including any letters of support, will be made available for public inspection for a 5-year period beginning not less than 30 days after the award of the assistance. Material will be made available in accordance with the

Freedom of Information Act (5 U.S.C. 552) and HUD's implementing regulations in 24 CFR part 15.

(2) *Disclosures.* HUD will make available to the public for 5 years all applicant disclosure reports (HUD Form 2880) submitted in connection with this NOFA. Update reports (also Form 2880) will be made available along with the applicant disclosure reports, but in no case for a period less than 3 years. All reports—both applicant disclosures and updates—will be made available in accordance with the Freedom of Information Act (5 U.S.C. 552) and HUD's implementing regulations at 24 CFR part 5.

Section 103 HUD Reform Act

HUD's regulations implementing section 103 of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3537a), codified in 24 CFR part 4, apply to this funding competition. The regulations continue to apply until the announcement of the selection of successful applicants. HUD employees involved in the review of applications and in the making of funding decisions are limited by the regulations from providing advance information to any person (other than an authorized employee of HUD) concerning funding decisions, or from otherwise giving any applicant an unfair competitive advantage. Persons who apply for assistance in this competition must confine their inquiries to the subject areas permitted under 24 CFR part 4.

Applicants or employees who have ethics related questions should contact the HUD Ethics Law Division at (202) 708-3815. (This is not a toll-free number.) For HUD employees who have specific program questions, the employee should contact the appropriate field office counsel, or Headquarters counsel for the program to which the question pertains.

Prohibition Against Lobbying Activities

Applicants for funding under this NOFA are subject to the provisions of Section 319 of the Department of Interior and Related Agencies Appropriation Act for Fiscal Year 1991, 31 U.S.C. Section 1352 (the Byrd Amendment) and to the provisions of the Lobbying Disclosure Act of 1995, P.L. 104-65 (December 19, 1995).

The Byrd Amendment, which is implemented in regulations at 24 CFR Part 87, prohibits applicants for Federal contracts and grants from using appropriated funds to attempt to influence Federal Executive or legislative officers or employees in connection with obtaining such

assistance, or with its extension, continuation, renewal, amendment or modification. The Byrd Amendment applies to the funds that are the subject of this NOFA. Therefore, applicants must file a certification stating that they have not made and will not make any prohibited payments and, if any payments or agreement to make payments of nonappropriated funds for these purposes have been made, a form SF-LLL disclosing such payments must

be submitted. The certification and the SF-LLL are included in the application package.

The Lobbying Disclosure Act of 1995, P.L. 104-65 (December 19, 1995), which repealed Section 112 of the HUD Reform Act and resulted in the elimination of the regulations at 24 CFR Part 86, requires all persons and entities who lobby covered Executive or Legislative Branch officials to register with the Secretary of the Senate and the Clerk of the House of Representatives and file

reports concerning their lobbying activities.

Catalog of Federal Domestic Assistance Number

The Catalog of Federal Domestic Assistance number for the Program is 14.196.

Date: March 3, 1999.

William C. Apgar,

Assistant Secretary for Housing-Federal Housing Commissioner.

BILLING CODE 4210-27-P

Application for Federal Assistance

OMB Approval No. 0348-0043

		2. Date Submitted	Applicant Identifier
1. Type of Submission Application <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction		3. Date Received by State	State Application Identifier
		4. Date Received by Federal Agency	Federal Identifier
5. Applicant Information Legal Name Address (give city, county, State, and zip code)		Organizational Unit	
		Name, telephone number, and facsimile number of the person to be contacted on matters involving this application (give area codes)	
6. Employer Identification Number (EIN) <div style="border: 1px solid black; width: 200px; height: 20px; margin-top: 5px;"></div>		7. Type of Applicant (enter appropriate letter in box) <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block; vertical-align: middle;"></div> A. State B. County C. Municipal D. Township E. Interstate F. Intermunicipal G. Special District H. Independent School Dist. I. State Controlled Institution of Higher Learning J. Private University K. Indian Tribe L. Individual M. Profit Organization N. Non-profit O. Public Housing Agency P. Other (Specify)	
8. Type of Application <input type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision If Revision, enter appropriate letter(s) in box(es) <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block; vertical-align: middle;"></div> <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block; vertical-align: middle;"></div> A. Increase Award B. Decrease Award C. Increase Duration D. Decrease Duration Other (specify)		9. Name of Federal Agency	
10. Catalog of Federal Domestic Assistance Number Title <div style="border: 1px solid black; width: 200px; height: 20px; display: inline-block; vertical-align: middle;"></div>		11. Descriptive Title of Applicant's Project	
12. Areas Affected by Project (cities, counties, States, etc.)			
13. Proposed Project Start Date Ending Date		14. Congressional Districts of a. Applicant b. Project	
15. Estimated Funding Use form HUD-424-M (Matrix)		16. Is Application Subject to Review by State Executive Order 12372 Process?	
a. Federal	\$.00	a. Yes This preapplication/application was made available to the State Executive Order 12372 Process for review on Date: _____	
b. Applicant	\$.00	b. No <input type="checkbox"/> Program is not covered by E.O. 12372	
c. State	\$.00	or <input type="checkbox"/> Program has not been selected by State for review.	
d. Local	\$.00	17. Is the Applicant Delinquent on Any Federal Debt? <input type="checkbox"/> Yes If "Yes," explain below or attach an explanation <input type="checkbox"/> No	
e. Other	\$.00		
f. Program Income	\$.00		
g. Total	\$.00		
18. To the best of my knowledge and belief, all data in this application/preapplication are true and correct, the document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assurances if the assistance is awarded.			
a. Typed Name of Authorized Representative		b. Title	c. Telephone Number
d. Signature of Authorized Representative		e. Date Signed	

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form SF-424 (4/92)
 Prescribed by OMB Circular A-102

Instructions for the SF-424

Public reporting burden for this collection of information is estimated to average 45 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Please do not return your completed form to the Office of Management and Budget; send it to the address provided by the sponsoring agency.

This is a standard form used by applicants as a required facesheet for preapplications and applications submitted for Federal assistance. It will be used by Federal agencies to obtain applicant certification that States which have established a review and comment procedure in response to executive Order 12372 and have selected the program to be included in their process, have been given an opportunity to review the applicant's submission.

- | Item | Entry | Item | Entry |
|------|---|------|---|
| 1. | Self-explanatory. | 12. | List only the largest political entities affected (e.g., State, counties, cities). |
| 2. | Date application submitted to Federal agency (or State if applicable) and applicant's control number (if applicable). | 13. | Self-explanatory. |
| 3. | State use only (if applicable). | 14. | List the applicant's Congressional District and any District(s) affected by the program or project. |
| 4. | If this application is to continue or revise an existing award, enter present Federal identifier number. If for a new project, leave blank. | 15. | Amount requested or to be contributed during the first funding/budget period by each contributor. Value of in-kind contributions should be included on appropriate lines as applicable. If the action will result in a dollar change to an existing award, indicate only the amount of the change. For decreases, enclose the amounts in parentheses. If both basic and supplemental amounts are included, show breakdown on an attached sheet. For multiple program funding, use totals and show breakdown using same categories as item 15. |
| 5. | Legal name of applicant, name of primary organizational unit which will undertake the assistance activity, complete address of the applicant, and name and telephone number of the person to contact on matters related to this application. | 16. | Applicants should contact the State Single Point of Contact (SPOC) for Federal Executive Order 12372 to determine whether the application is subject to the State intergovernmental review process. |
| 6. | Enter Employer Identification Number (EIN) as assigned by the Internal Revenue Service. | 17. | This question applies to the applicant organization, not the person who signs as the authorized representative. Categories of debt include delinquent audit disallowances, loans and taxes. |
| 7. | Enter the appropriate letter in the space provided. | 18. | To be signed by the authorized representative of the applicant. A copy of the governing body's authorization for you to sign this application as official representative must be on file in the applicant's office. (Certain Federal agencies may require that this authorization be submitted as part of the application.) |
| 8. | Check appropriate box and enter appropriate letter(s) in the space(s) provided: <ul style="list-style-type: none"> – "New" means a new assistance award. – "Continuation" means an extension for an additional funding budget period for a project with a projected completion date. – "Revision" means any change in the Federal Government's financial obligation or contingent liability from an existing obligation. | | |
| 9. | Name of Federal agency from which assistance is being requested with this application. | | |
| 10. | Use the Catalog of Federal Domestic Assistance number and title of the program under which assistance is requested. | | |
| 11. | Enter a brief descriptive title of the project. If more than one program is involved, you should append an explanation on a separate sheet. If appropriate (e.g., construction or real property projects), attach a map showing project location. For preapplications, use a separate sheet to provide a summary description of this project. | | |

Disclosure of Lobbying Activities

Approved by OMB 0348-0046

Complete this form to disclose lobbying activities pursuant to 31 U.S.C. 1352
(See reverse side for Instructions.)

Public Reporting Burden for this collection of information is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Please do not return your completed form to the Office of Management and Budget; send it to the address provided by the sponsoring agency.

1. Type of Federal Action (enter appropriate letter) <input type="checkbox"/> a. contract <input type="checkbox"/> b. grant <input type="checkbox"/> c. cooperative agreement <input type="checkbox"/> d. loan <input type="checkbox"/> e. loan guarantee <input type="checkbox"/> f. loan insurance		2. Status of Federal Action (enter appropriate letter) <input type="checkbox"/> a. bid/offer/application <input type="checkbox"/> b. initial award <input type="checkbox"/> c. post-award		3. Report Type (enter appropriate letter) <input type="checkbox"/> a. initial filing <input type="checkbox"/> b. material change For Material Change Only year _____ quarter _____ date of last report _____	
4. Name and Address of Reporting Entity <input type="checkbox"/> Prime <input type="checkbox"/> Subawardee Tier _____, if known Congressional District, if known _____			5. If Reporting Entity in No. 4 is Subawardee, enter Name and Address of Prime Congressional District, if known _____		
6. Federal Department/Agency			7. Federal Program Name/Description CFDA Number, if applicable _____		
8. Federal Action Number, if known			9. Award Amount, if known \$ _____		
10a. Name and Address of Lobbying Registrant (if individual, last name, first name, MI)			b. Individuals Performing Services (including address if different from No. 10a.) (last name, first name, MI)		
11. Information requested through this form is authorized by Sec.319, Pub. L. 101-121, 103 Stat. 750, as amended by sec. 10; Pub. L. 104-65, Stat. 700 (31 U.S.C. 1352). This disclosure of lobbying activities is a material representation of fact upon which reliance was placed by the above when this transaction was made or entered into. This disclosure is required pursuant to 31 U.S.C. 1352. This information will be reported to the Congress semiannually and will be available for public inspection. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.			Signature Print Name Title Telephone No. Date		
Federal Use Only			Authorized for Local Reproduction Standard Form-LLL (1/96)		

Instructions for Completion of SF-LLL, Disclosure of Lobbying Activities

This disclosure form shall be completed by the reporting entity, whether subawardee or prime Federal recipient, at the initiation or receipt of a covered Federal action, or a material change to a previous filing, pursuant to title 31 U.S.C. section 1352. The filing of a form is required for each payment or agreement to make payment to any lobbying entity for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or any employee of a Member of Congress in connection with a covered Federal action. Complete all items that apply for both the initial filing and material change report. Refer to the implementing guidance published by the Office of Management and Budget for additional information.

1. Identify the type of covered Federal action for which lobbying activity is and/or has been secured to influence the outcome of a covered Federal action.
2. Identify the status of the covered Federal action.
3. Identify the appropriate classification of this report. If this is a followup report caused by a material change to the information previously reported, enter the year and quarter in which the change occurred. Enter the date of the last previously submitted report by this reporting entity for this covered Federal action.
4. Enter the full name, address, city, state and zip code of the reporting entity. Include Congressional District, if known. Check the appropriate classification of the reporting entity that designates if it is, or expects to be, a prime or subaward recipient. Identify the tier of the subawardee, e.g., the first subawardee of the prime is the 1st tier. Subawards include but are not limited to subcontracts, subgrants and contract awards under grants.
5. If the organization filing the report in item 4 checks "Subawardee", then enter the full name, address, city, state and zip code of the prime Federal recipient. Include Congressional District, if known.
6. Enter the name of the Federal agency making the award or loan commitment. Include at least one organizational level below agency name, if known. For example, Department of Transportation, United States Coast Guard.
7. Enter the Federal program name or description for the covered Federal action (item 1). If known, enter the full Catalog of Federal Domestic Assistance (CFDA) number for grants, cooperative agreements, loans, and loan commitments.
8. Enter the most appropriate Federal identifying number available for the Federal action identified in item 1 (e.g., Request for Proposal (RFP) number; Invitation for Bid (IFB) number; grant announcement number; the contract, grant, or loan award number; the application proposal control number assigned by the Federal agency). Include prefixes, e.g., "RFP-DE-90-001."
9. For a covered Federal action where there has been an award or loan commitment by the Federal agency, enter the Federal amount of the award/loan commitment for the prime entity identified in item 4 or 5.
10. (a) Enter the full name, address, city, state and zip code of the registrant under the Lobbying Disclosure Act of 1995 engaged by the reporting entity identified in item 4 to influence the covered Federal action.
(b) Enter the full names of the individual(s) performing services, and include full address if different from 10 (a). Enter Last Name, First Name, and Middle Initial (MI).
11. The certifying official shall sign and date the form, print his/her name, title, and telephone number.

Assurances—Non-Construction Programs

OMB Approval No. 0348-0040

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Please do not return your completed form to the Office of Management and Budget; send it to the address provided by the sponsoring agency.

Note: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the awarding agency. Further, certain Federal awarding agencies may require applicants to certify to additional assurances. If such is the case you will be notified.

As the duly authorized representative of the applicant I certify that the applicant:

1. Has the legal authority to apply for Federal assistance, and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project costs) to ensure proper planning, management and completion of the project described in this application.
2. Will give the awarding agency, the Comptroller General of the United States, and if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the award; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
3. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.
4. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
5. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§ 4728-4763) relating to prescribed standards for merit systems for programs funded under one of the nineteen statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
6. Will comply with all Federal statutes relating to nondiscrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§ 1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. § 794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§ 6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.O. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§ 523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. 290 dd-3 and 290 ee-3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. § 36701 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.
7. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
8. Will comply, as applicable, with the provisions of the Hatch Act (5 U.S.C. §§ 1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.
9. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§ 276a and 276a-7), the Copeland Act (40 U.S.C. § 276c and 18 U.S.C. §§ 874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§ 327-333), regarding labor standards for federally assisted construction subagreements.
10. Will comply, if applicable, with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
11. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (e) evaluation of flood hazards in flood plains in accordance with EO 11988; (e) assurance of

project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§ 1451 et seq.); (f) conformity of Federal actions to State (Clear Air) Implementation Plans under Section 176(c) of the Clear Air Act of 1955, as amended (42 U.S.C. § 7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended, (P.L. 93-523); and (h) protection of endangered species under the Endangered Species Act of 1973, as amended, (P.L. 93-205).

12. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§ 1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
13. Will assist the awarding agency in assuring compliance with Section 106 of the national Historic Preservation Act of 1966, as amended (16 U.S.C. 470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. 469a-1 et seq.).

14. Will comply with P.L. 93-348 regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance.
15. Will comply with the Laboratory Animal Welfare Act of 1966 (P.L. 89-544, as amended, 7 U.S.C. 2131 et seq.) pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance.
16. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§ 4801 et seq.) which prohibits the use of lead based paint in construction or rehabilitation of residence structures.
17. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act of 1984 or OMB Circular No. A-133, Audits of Institutions of Higher Learning and other Non-profit Institutions.
18. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations and policies governing this program.

Signature of Authorized Certifying Official

Title

Applicant Organization

Date Submitted

Part IV. Interested Parties

Alphabetical list of all persons with a reportable financial interest in the project or activity
(for individuals, give the last name first)

Social Security Number or
Employee ID Number

Type of Participation
in Project/Activity

Financial Interest
in Project/Activity
(\$ and %)

If there are no persons with a reportable financial interest, you must certify that this information is true.

I hereby certify that this information is true. (Signature) _____ Date _____

Part V. Report on Expected Sources and Uses of Funds**Source**

If there are no sources of funds, you must certify that this information is true.

I hereby certify that this information is true. (Signature) _____ Date _____

Use

If there are no uses of funds, you must certify that this information is true.

I hereby certify that this information is true. (Signature) _____ Date _____

Certification

Warning: If you knowingly make a false statement on this form, you may be subject to civil or criminal penalties under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosure of information, including intentional non-disclosure, is subject to civil money penalty not to exceed \$10,000 for each violation.

I certify that this information is true and complete.

Signature _____

Date _____

Public reporting burden for this collection of information is estimated to average 2.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number.

Privacy Act Statement. Except for Social Security Numbers (SSNs) and Employer Identification Numbers (EINs), the Department of Housing and Urban Development (HUD) is authorized to collect all the information required by this form under section 102 of the Department of Housing and Urban Development Reform Act of 1989, 42 U.S.C. 3531. Disclosure of SSNs and EINs is optional. The SSN or EIN is used as a unique identifier. The information you provide will enable HUD to carry out its responsibilities under Sections 102(b), (c), and (d) of the Department of Housing and Urban Development Reform Act of 1989, Pub. L. 101-235, approved December 15, 1989. These provisions will help ensure greater accountability and integrity in the provision of certain types of assistance administered by HUD. They will also help ensure that HUD assistance for a specific housing project under Section 102(d) is not more than is necessary to make the project feasible after taking account of other government assistance. HUD will make available to the public all applicant disclosure reports for five years in the case of applications for competitive assistance, and for generally three years in the case of other applications. Update reports will be made available along with the disclosure reports, but in no case for a period generally less than three years. All reports, both initial reports and update reports, will be made available in accordance with the Freedom of Information Act (5 U.S.C. §552) and HUD's implementing regulations at 24 CFR Part 15. HUD will use the information in evaluating individual assistance applications and in performing internal administrative analyses to assist in the management of specific HUD programs. The information will also be used in making the determination under Section 102(d) whether HUD assistance for a specific housing project is more than is necessary to make the project feasible after taking account of other government assistance. You must provide all the required information. Failure to provide any required information may delay the processing of your application, and may result in sanctions and penalties, including imposition of the administrative and civil money penalties specified under 24 CFR §12.34.

Note: This form only covers assistance made available by the Department. States and units of general local government that carry out responsibilities under Sections 102(b) and (c) of the Reform Act must develop their own procedures for complying with the Act.

Instructions (See Note 1 on last page.)

I. Overview. Subpart C of 24 CFR Part 12 provides for (1) initial reports from applicants for HUD assistance and (2) update reports from recipients of HUD assistance. An overview of these requirements follows.

A. Applicant disclosure (initial) reports: General. All applicants for assistance from HUD for a specific project or activity must make a number of disclosures, if the applicant meets a dollar threshold for the receipt of covered assistance during the fiscal year in which the application is submitted. The applicant must also make the disclosures if it requests assistance from HUD for a specific housing project that involves assistance from other governmental sources. Applicants subject to Subpart C must make the following disclosures:

- Assistance from other government sources in connection with the project,
- The financial interests of persons in the project,
- The sources of funds to be made available for the project, and
- The uses to which the funds are to be put.

B. Update reports: General. All recipients of covered assistance must submit update reports to the Department to reflect substantial changes to the initial applicant disclosure reports.

C. Applicant disclosure reports: Specific guidance. The applicant must complete all parts of this disclosure form if **either** of the following **two** circumstances in paragraph 1. or 2., below, applies:

1.a. **Nature of Assistance.** The applicant submits an application for assistance for a specific project or activity (See Note 2) in which:

HUD makes assistance available to a recipient for a specific project or activity; or

HUD makes assistance available to an entity (other than a State or a unit of general local government), such as a public housing agency (PHA), for a specific project or activity, where the application is required by statute or regulation to be submitted to HUD for any purpose; **and**

b. **Dollar Threshold.** The applicant has received, or can reasonably expect to receive, an aggregate amount of all forms of assistance (See Note 3) from HUD, States, and units of general local government, in excess of \$200,000 during the Federal fiscal year (October 1 through September 30) in which the application is submitted. (See Note 4)

2. The applicant submits an application for assistance for a specific housing project that involves other government assistance. (See Note 5) **Note:** There is no dollar threshold for this criterion: **any** other government assistance triggers the requirement. (See Note 6)

If the Application meets **neither** of these two criteria, the applicant need only complete Parts I and II of this report, as well as the certification at the end of the report. If the Application meets **either** of these criteria, the applicant must complete the entire report.

The applicant disclosure report must be submitted with the application for the assistance involved.

D. Update reports: Specific guidance. During the period in which an application for covered assistance is pending, or in which the assistance is being provided (as indicated in the relevant grant or other agreement), the applicant must make the following additional disclosures:

1. Any information that should have been disclosed in connection with the application, but that was omitted.
2. Any information that would have been subject to disclosure in connection with the application, but that arose at a later time, including information concerning an interested party that now meets the applicable disclosure threshold referred to in Part IV, below.
3. For changes in previously disclosed other government assistance:

For programs administered by the Assistant Secretary for Community Planning and Development, any change in other government assistance that exceeds the amount of such assistance that was previously disclosed by \$250,000 or by 10 percent of the assistance (whichever is lower).

For all other programs, any change in other government assistance that exceeds the amount of such assistance that was previously disclosed.

4. For changes in previously disclosed financial interests, any change in the amount of the financial interest of a person that exceeds the amount of the previously disclosed interests by \$50,000 or by 10 percent of such interests (whichever is lower).

5. For changes in previously disclosed sources or uses of funds:

a. For programs administered by the Assistant Secretary for Community Planning and Development:

Any change in a source of funds that exceeds the amount of all previously disclosed sources of funds by \$250,000 or by 10 percent of those sources (whichever is lower); and

Any change in a use of funds under paragraph (b)(1)(iii) that exceeds the amount of all previously disclosed uses of funds by \$250,000 or by 10 percent of those uses (whichever is lower).

b. For all programs, other than those administered by the Assistant Secretary for Community Planning and Development:

For projects receiving a tax credit under Federal, State, or local law, any change in a source of funds that was previously disclosed.

For all other projects, any change in a source of funds that exceeds the lower of:

The amount previously disclosed for that source of funds by \$250,000, or by 10 percent of the amount previously disclosed for that source, whichever is lower; or

The amount previously disclosed for all sources of funds by \$250,000, or by 10 percent of the amount previously disclosed for all sources of funds, whichever is lower.

c. For all programs, other than those administered by the Assistant Secretary for Community Planning and Development:

For projects receiving a tax credit under Federal, State, or local law, any change in a use of funds that was previously disclosed.

For all other projects, any change in a use of funds that exceeds the lower of:

The amount previously disclosed for that use of funds by \$250,000, or by 10 percent of the amount previously disclosed for that use, whichever is lower; or

The amount previously disclosed for all uses of funds by \$250,000, or by 10 percent of the amount previously disclosed for all uses of funds, whichever is lower.

Note: Update reports must be submitted within 30 days of the change requiring the update. The requirement to provide update reports only applies if the application for the underlying assistance was submitted on or after the effective date of Subpart C.

II. Line-by-Line Instructions.**A. Part I. Applicant/Recipient Information.**

All applicants for HUD assistance specified in Section I.C.1.a., above, as well as all recipients required to submit an update report under Section I.D., above, must complete the information required by Part I. The applicant/recipient must indicate whether the disclosure is an initial or an update report. Line-by-line guidance for Part I follows:

1. Enter the full name, address, city, State, zip code, and telephone number (including area code) of the applicant/recipient. Where the applicant/recipient is an individual, the last name, first name, and middle initial must be entered. Entry of the applicant/recipient's SSN or EIN, as appropriate, is optional.

2. Applicants enter the name and full address of the project or activity for which the HUD assistance is sought. Recipients enter the name and full address of the HUD-assisted project or activity to which the update report relates. The most appropriate government identifying number must be used (e.g., RFP No.; IFB No.; grant announcement No.; or contract, grant, or loan No.) Include prefixes.

3. Applicants describe the HUD assistance referred to in Section I.C.1.a. that is being requested. Recipients describe the HUD assistance to which the update report relates.

4. Applicants enter the HUD program name under which the assistance is being requested. Recipients enter the HUD program name under which the assistance, that relates to the update report, was provided.

5. Applicants enter the amount of HUD assistance that is being requested. Recipients enter the amount of HUD assistance that has been provided and to which the update report relates. The amounts are those stated in the application or award documentation. NOTE: In the case of assistance that is provided pursuant to contract over a period of time (such as project-based assistance under section 8 of the United States Housing Act of 1937), the amount of assistance to be reported includes all amounts that are to be provided over the term of the contract, irrespective of when they are to be received.

Note: In the case of Mortgage Insurance under 24 CFR Subtitle B, Chapter II, the mortgagor is responsible for making the applicant disclosures, and the mortgagee is responsible for furnishing the mortgagor's disclosures to the Department. Update reports must be submitted directly to HUD by the mortgagor.

Note: In the case of the Project-Based Certificate program under 24 CFR Part 882, Subpart G, the owner is responsible for making the applicant disclosures, and the PHA is responsible for furnishing the owner's disclosures to HUD. Update reports must be submitted through the PHA by the owner.

B. Part II. Threshold Determinations — Applicants Only

Part II contains information to help the applicant determine whether the remainder of the form must be completed. **Recipients filing Update Reports should not complete this Part.**

1. The first question asks whether the applicant meets the Nature of Assistance and Dollar Threshold requirements set forth in Section I.C.1. above.

If the answer is Yes, the applicant must complete the remainder of the form. If the answer is No, the form asks the applicant to certify that its response is correct, and to complete the next question.

2. The second question asks whether the application is for a specific housing project that involves other government assistance, as described in Section I.C.2. above.

If the answer is Yes, the applicant must complete the remainder of the form. If the answer is No, the form asks the applicant to certify that its response is correct.

If the answer to both questions 1 and 2 is No, the applicant need not complete Parts III, IV, or V of the report, but must sign the certification at the end of the form.

C. Part III. Other Government Assistance.

This Part is to be completed by both applicants filing applicant disclosure reports and recipients filing update reports. Applicants must report any other government assistance involved in the project or activity for which assistance is sought. Recipients must report any other government assistance involved in the project or activity, to the extent required under Section I.D.1., 2., or 3., above.

Other government assistance is defined in note 5 on the last page. For purposes of this definition, other government assistance is expected to be made available if, based on an assessment of all the circumstances involved, there are reasonable grounds to anticipate that the assistance will be forthcoming.

Both applicant and recipient disclosures must include all other government assistance involved with the HUD assistance, as well as any other government assistance that was made available before the request, but that has continuing vitality at the time of the request. Examples of this latter category include tax credits that provide for a number of years of tax benefits, and grant assistance that continues to benefit the project at the time of the assistance request.

The following information must be provided:

1. Enter the name and address, city, State, and zip code of the government agency making the assistance available. Include at least one organizational level below the agency name. For example, U.S. Department of Transportation, U.S. Coast Guard; Department of Safety, Highway Patrol.
2. Enter the program name and any relevant identifying numbers, or other means of identification, for the other government assistance.
3. State the type of other government assistance (e.g., loan, grant, loan insurance).
4. Enter the dollar amount of the other government assistance that is, or is expected to be, made available with respect to the project or activities for which the HUD assistance is sought (applicants) or has been provided (recipients).

If the applicant has no other government assistance to disclose, it must certify that this assertion is correct.

To avoid duplication, if there is other government assistance under this Part and Part V, the applicant/recipient should check the appropriate box in this Part and list the information in Part V, clearly designating which sources are other government assistance.

D. Part IV. Interested Parties.

This Part is to be completed by both applicants filing applicant disclosure reports and recipients filing update reports.

Applicants must provide information on:

- (1) All developers, contractors, or consultants involved in the application for the assistance or in the planning, development, or implementation of the project or activity and
- (2) any other person who has a financial interest in the project or activity for which the assistance is sought that exceeds \$50,000 or 10 percent of the assistance (whichever is lower).

Recipients must make the additional disclosures referred to in Section I.D.1., 2., or 4, above.

Note: A financial interest means any financial involvement in the project or activity, including (but not limited to) situations in which an individual or entity has an equity interest in the project or activity, shares in any profit on resale or any distribution of surplus cash or other assets of the project or activity, or receives compensation for any goods or services provided in connection with the project or activity. Residency of an individual in housing for which assistance is being sought is not, by itself, considered a covered financial interest.

The information required below must be provided.

1. Enter the full names and addresses of all persons referred to in paragraph (1) or (2) of this Part. If the person is an entity, the listing must include the full name of each officer, director, and principal stockholder of the entity. All names must be listed alphabetically, and the names of individuals must be shown with their last names first.
2. Entry of the Social Security Number (SSN) or Employee Identification Number (EIN), as appropriate, for each person listed is optional.
3. Enter the type of participation in the project or activity for each person listed: i.e., the person's specific role in the project (e.g., contractor, consultant, planner, investor).
4. Enter the financial interest in the project or activity for each person listed. The interest must be expressed both as a dollar amount and as a percentage of the amount of the HUD assistance involved.

If the applicant has no persons with financial interests to disclose, it must certify that this assertion is correct.

5. Part V. Report on Sources and Uses of Funds. This Part is to be completed by both applicants filing applicant disclosure reports and recipients filing update reports.

The applicant disclosure report must specify all expected sources of funds — both from HUD and from any other source — that have been, or are to be, made available for the project or activity. Non-HUD sources of funds typically include (but are not limited to) other government assistance referred to in Part III, equity, and amounts from foundations and private contributions. The report must also specify all expected uses to which funds are to be put. All sources and uses of funds must be listed, if, based on an assessment of all the circumstances involved, there are reasonable grounds to anticipate that the source or use will be forthcoming.

Note that if any of the source/use information required by this report has been provided elsewhere in this application package, the applicant need not repeat the information, but need only refer to the form and location to incorporate it into this report. (It is likely that some of the information required by this report has been provided on SF 424A, and on various budget forms accompanying the application.) If this report requires information beyond that provided elsewhere in the application package, the applicant must include in this report all the additional information required.

Recipients must submit an update report for any change in previously disclosed sources and uses of funds as provided in Section I.D.5., above.

General Instructions — sources of funds

Each reportable source of funds must indicate:

- a. The name and address, city, State, and zip code of the individual or entity making the assistance available. At least one organizational level below the agency name should be included. For example, U.S. Department of Transportation, U.S. Coast Guard; Department of Safety, Highway Patrol.
- b. The program name and any relevant identifying numbers, or other means of identification, for the assistance.
- c. The type of assistance (e.g., loan, grant, loan insurance).

Specific instructions — sources of funds.

(1) For programs administered by the Assistant Secretaries for Fair Housing and Equal Opportunity and Policy Development and Research, each source of funds must indicate the total amount of approved, and received; and must be listed in descending order according to the amount indicated.

(2) For programs administered by the Assistant Secretaries for Housing-Federal Housing Commissioner, Community Planning and Development, and Public and Indian Housing, each source of funds must indicate the total amount of funds involved, and must be listed in descending order according to the amount indicated.

(3) If Tax Credits are involved, the report must indicate all syndication proceeds and equity involved.

General instructions—uses of funds.

Each reportable use of funds must clearly identify the purpose to which they are to be put. Reasonable aggregations may be used, such as "total structure" to include a number of structural costs, such as roof, elevators, exterior masonry, etc.

Specific instructions -- uses of funds.

(1) For programs administered by the Assistant Secretaries for Fair Housing and Equal Opportunity and Policy Development and Research, each use of funds must indicate the total amount of funds involved; must be broken down by amount committed, budgeted, and planned; and must be listed in descending order according to the amount indicated.

(ii) For programs administered by the Assistant Secretaries for Housing-Federal Housing Commissioner, Community Planning and Development, and Public and Indian Housing, each use of funds must indicate the total amount of funds involved and must be listed in descending order according to the amount involved.

(iii) If any program administered by the Assistant Secretary for Housing-Federal Housing Commissioner is involved, the report must indicate all uses paid from HUD sources and other sources, including syndication proceeds. Uses paid should include the following amounts.

AMPO

Architect's fee — design
 Architect's fee — supervision
 Bond premium
 Builder's general overhead
 Builder's profit
 Construction interest
 Consultant fee
 Contingency Reserve
 Cost certification audit fee
 FHA examination fee
 FHA inspection fee
 FHA MIP
 Financing fee
 FNMA / GNMA fee
 General requirements
 Insurance
 Legal — construction
 Legal — organization
 Other fees
 Purchase price
 Supplemental management fund
 Taxes
 Title and recording
 Operating deficit reserve
 Resident initiative fund
 Syndication expenses
 Working capital reserve
 Total land improvement
 Total structures

Uses paid from syndication must include the following amounts:

Additional acquisition price and expenses
 Bridge loan interest
 Development fee
 Operating deficit reserve
 Resident initiative fund
 Syndication expenses
 Working capital reserve

Footnotes:

1. All citations are to 24 CFR Part 12, which was published in the Federal Register on March 14, 1991 at 56 Fed. Reg. 11032.
2. A list of the covered assistance programs can be found at 24 CFR §12.30, or in the rules or administrative instructions governing the program involved. Note: The list of covered programs will be updated periodically.
3. Assistance means any contract, grant, loan, cooperative agreement, or other form of assistance, including the insurance or guarantee of a loan or mortgage, that is provided with respect to a specific project or activity under a program administered by the Department. The term does not include contracts, such as procurements contracts, that are subject to the Federal Acquisition Regulation (FAR) (48 CFR Chapter 1).
4. See 24 CFR §§12.32 (a)(2) and (3) for detailed guidance on how the threshold is calculated.
5. "Other government assistance" is defined to include any loan, grant, guarantee, insurance, payment, rebate, subsidy, credit, tax benefit, or any other form of direct or indirect assistance from the Federal government (other than that requested from HUD in the application), a State, or a unit of general local government, or any agency or instrumentality thereof, that is, or is expected to be made, available with respect to the project or activities for which the assistance is sought.
6. For further guidance on this criterion, and for a list of covered programs, see 24 CFR §12.50.
7. For purposes of Part 12, a person means an individual (including a consultant, lobbyist, or lawyer); corporation; company; association; authority; firm; partnership; society; State, unit of general local government, or other government entity, or agency thereof (including a public housing agency); Indian tribe; and any other organization or group of people.

Certification Regarding Debarment and Suspension

U.S. Department of Housing
and Urban Development

Certification A: Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions

1. The prospective primary participant certifies to the best of its knowledge and belief that its principals;

a. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal debarment or agency;

b. Have not within a three-year period preceding this proposal, been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;

c. Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and

d. Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State, or local) terminated for cause or default.

2. Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Instructions for Certification (A)

1. By signing and submitting this proposal, the prospective primary participant is providing the certification set out below.

2. The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. The prospective participant shall submit an explanation of why it cannot provide the certification set out below. The certification or explanation will be considered in connection with the department or agency's determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.

3. The certification in this clause is a material representation of fact upon which reliance was placed when the department or agency determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.

4. The prospective primary participant shall provide immediate written notice to the department or agency to whom this proposal is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

5. The terms **covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal, and voluntarily excluded**, as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. You may contact the department or agency to which this proposal is being submitted for assistance in obtaining a copy of these regulations.

6. The prospective primary participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency entering into this transaction.

7. The prospective primary participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

8. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines this eligibility of its principals. Each participant may, but is not required to, check the Nonprocurement List.

9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

10. Except for transactions authorized under paragraph (6) of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.

Certification B: Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions

1. The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.
2. Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Instructions for Certification (B)

1. By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below.
2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.
3. The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
4. The terms **covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal, and voluntarily excluded**, as used in this clause, have the meanings set out in the Definitions and Coverage sections of rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of these regulations.
5. The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.
6. The prospective lower tier participant further agrees by submitting this proposal that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Nonprocurement List.
8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
9. Except for transactions authorized under paragraph (5) of these instructions, if a participant in a lower covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies including suspension and/or debarment.

Applicant		Date
Signature of Authorized Certifying Official		Title