



U.S. DEPARTMENT OF THE TREASURY
Washington, D.C. 20220

April 19, 2016

VIA EMAIL

Jacob Sipe
Executive Director
Indiana Housing and Community Development Authority
30 South Meridian Street, Suite 1000
Indianapolis, Indiana 46204

Dear Mr. Sipe:

During the period February 1 - 5, 2016, the Office of Compliance within Treasury's Office of Financial Stability (OFS-Compliance) conducted an on-site compliance review of the Indiana Housing and Community Development Authority's (IHCDA) Hardest Hit Fund (HHF) Blight Elimination Program.

Please see the attached Compliance Review Report. A response to this report is not required.

Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Michael Triau".

Michael Triau
Supervisory Compliance Specialist
U.S. Department of the Treasury
Office of Financial Stability, #9116
1500 Pennsylvania Avenue N.W.
Washington, D.C. 20220

cc: Mark Neyland, Director of Asset Preservation, IHCDA
Joyce Philip, Chief Compliance Officer, OFS
Danielle Johnson-Kutch, Acting Chief, Homeownership Preservation Office, OFS
Brian Hiles, Management and Program Analyst, OFS

U.S. DEPARTMENT OF THE TREASURY
Office of Financial Stability
February 2016 On-Site Review of Indiana Housing and Community Development Authority's
Blight Elimination Program

Compliance Review Report
April 19, 2016

U.S. DEPARTMENT OF THE TREASURY
Office of Financial Stability
February 2016 On-Site Review of Indiana Housing and Community Development Authority's
Blight Elimination Program

Background

The Indiana Housing and Community Development Authority (IHCDA), based in Indianapolis, Indiana, is a state housing finance agency (HFA) participating in the HFA Innovation Fund for the Hardest Hit Housing Markets under the Emergency Economic Stabilization Act (EESA). Each HFA must qualify under EESA as a financial institution to receive funding. IHCDA qualifies as the Eligible Entity to receive funding for the HFA's Hardest Hit Fund (HHF).

The IHCDA and the United States Department of the Treasury (Treasury) signed an HFA Participation Agreement (HPA) allocating \$221,694,139 to the IHCDA's Hardest Hit Fund program. Section 2 of the HPA requires IHCDA to comply with the terms of the agreement including the term sheets presented as Schedule B. Section 4 of the HPA requires that the Eligible Entity develop and enforce a system of internal controls over the program.

As of December 31, 2015, IHCDA implemented four HHF programs and assisted 6,869 homeowners, providing a total of \$99,010,361 in assistance. Also, 270 structures had been demolished with HHF funding of \$4,915,260 under IHCDA's HHF Blight Elimination Program.

Scope

OFS-Compliance conducted a targeted review of the Indiana Housing and Community Development Authority's (IHCDA) HHF Blight Elimination Program with a focus on the City of Evansville. The review was performed as a follow-up to address concerns raised by SIGTARP in their December 14, 2015, Alert Letter to the Secretary of the Treasury (Alert Letter).

OFS-Compliance reviewed the 24 Evansville properties referenced in the Alert Letter including approval of the properties by IHCDA for the BEP program, and the related cost reimbursements from HHF funds. The scope of test work also included:

- City of Evansville's Blight Elimination Program application
- IHCDA's approval of City of Evansville's program partners
- Additional properties approved by IHCDA for the City of Evansville
- Lien release activity associated with IHCDA's Blight Elimination Program

OFS-Compliance also sought a greater understanding of the events surrounding the relocation of a commercial property that was central to the Evansville project, gathered information about the nature of the property transactions, reviewed the relocation assistance provided by the City of Evansville to displaced tenants, and examined the outcome of public hearings related to City of Evansville's participation in IHCDA's HHF Blight Elimination Program.

Results Summary

OFS-Compliance found no instances of non-compliance with IHCDA's HHF Blight Elimination Program guidelines or the Housing Finance Agency (HFA) Participation Agreement term sheet, which specifies the Treasury-approved program requirements. OFS-Compliance also confirmed that IHCDA has since implemented Treasury's January 2016 policy clarification that a property must not be legally occupied at the time of any review or approval by the HFA for blight elimination activity.