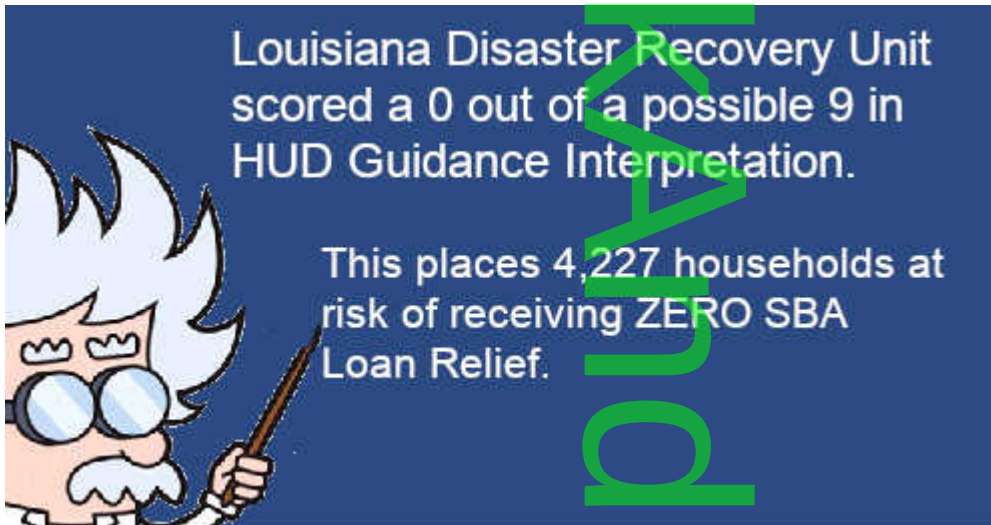


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HUD Rejects SBA Loan Payoff Hardship criteria requested by the Louisiana OCD-DRU agency.



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Published: 10-16-2019 Revised: 10-16-2019

HUD sent a strong message to the Louisiana Governor, DOA and OCD-DRU regarding the poorly crafted hardship criteria that the state claimed would help nearly 4,227 families that make over 120 percent AMI pay off or reduce their SBA Loan and Housing debt. In a letter dated October 10, 2019 addressed to Mr. Jay Dardenne Commissioner Division of Administration State of Louisiana HUD officially responded to the states Action Plan Amendment 12 (APA #12). APA #12 was presented to HUD by the State of Louisiana Restore Louisiana Homeowners Assistance Program (RLHAP).

Item 2 of the Oct. 10 2019 letter is of special interest to 4,227 families that have been waiting over 3 years for the SBA DOB relief they have been promised by state and federal politicians.

HUD Wrote:

"2) Allows for CDBG-DR funds to be used to reimburse homeowners for costs associated with loans made by the U.S. Small Business Administration (SBA) in response to the floods of 2016, as authorized by Federal Register Notices published by the Department on June 20, 2019 (84 FR 2886, 84 FR 28848)"

HUD Added:

"The provision of APA #12 as outlined in #2 above, providing for the reimbursement of SBA loan costs to existing RLHAP beneficiaries with incomes that do not exceed 120 percent of area median income (AMI), is also consistent with the requirements of the Department's June 20, 2019, Federal Register Notices and is approved. The Department, however, reminds the State of the requirement to reimburse all eligible low- and moderate-income beneficiaries prior to providing for the reimbursements of homeowners with incomes greater than 80 percent, but less than 120 percent of AMI (84 FR 28843)."

HUD appears to have discussed the interpretation of the June 20, 2019 Guidance with state officials.

"As discussed previously with the State, the Department finds the provisions of APA #12 that would allow for the reimbursement of SBA loan costs to homeowners with incomes of greater than 120 percent of AMI to be substantially incomplete or not consistent with the requirements of the Department's Federal Register Notice. This portion of the APA, therefore, cannot be approved without revisions, as described below."

HUD points out hardship exceptions to state officials once again the June 20, 2019 notice.

"The Department's Notice provides that beneficiaries with incomes greater than 120 percent of AMI may only be reimbursed for SBA loan costs under a hardship exception approved by HUD. The Notice directs grantees to establish criteria in the Action Plan that defines that hardship (84 FR 28843). That criteria must provide for:

- 1) A demonstration of the applicant's financial necessity for full or partial reimbursement of costs paid with subsidized loans
- 2) a definition of financial necessity that is sufficient to distinguish between applicants with significant need for full or partial reimbursement to enable the applicant to pay for basic household or business expenses, and applicants who are not eligible for a hardship exception because they seek reimbursement for reasons other than financial necessity and
- 3) a requirement that the amount of the full or partial reimbursement shall not exceed the amount needed to address the applicant's financial necessity.

Two of the nine criteria proposed by State related to housing cost burden and the percentage of discretionary income spent on SBA loan repayments, appropriately consider the financial necessity referenced in the notice and allow for an assessment of the appropriateness of full or partial reimbursement to enable the applicant to pay for basic household expenses. The remaining seven criteria posed in the amendment lack this consideration of the applicant's overall finances and the financial necessity of the assistance. The State is unable to reimburse homeowners with incomes greater than 120 percent AMI pending revisions that incorporate a consideration of financial necessity. The Department is eager to work with the State to strengthen these criteria to meet the hardship requirements of the Notice."

Public Resources:

- [Public Law 115-254 Section 1210. Duplication of benefits](#)
- [HUD Response to APA 12 Oct 10, 2019 Letter from HUD to Louisiana DOA](#)
- [List of the 9 Hardship and Exemptions the State of Louisiana OCD-DRU sent to HUD.](#)

Comments / Opinion / Editorials will be linked here at a later date.

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