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Learn what the State of Louisiana Restore Homeowners Program (OCD-DRU) failed to tell about APA 12

# FACT CHECK

## Pay off SBA with HUD Recovery Grants

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The Department HUD is partially approving the State of Louisianas Action Plan Amendment APA 12 for Community Development Block Grant disaster recovery CDBG-DR funds appropriated under Public Laws 114-223, 114-254 and 1 15-31.

Mr. David C. Woll, Jr. Principal Deputy Assistant Secretary for Community Planning and Development from HUD responds to the State of Louisiana OCD-DRU Action Plan Amendment (APA) #12.

Recipient: Mr. Jay Dardenne Commissioner Division of Administration State of Louisiana.

Subject: Action Plan Amendment (APA) #12 partially approving the State of Louisiana's Action Plan Amendment (APA) #12 for Community Development Block Grant disaster recovery (CDBG-DR) funds appropriated under Public Laws 114-223, 114-254 and 1 15-31.

Mr. Woll: "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 reimbursement of homeowners with incomes of greater than 80 percent, but less than 120 percent of AMI (84 FR 28843)."

HUD is instructing the state to follow the new guidance by applying the reimbursement of SBA loans to the Low and Moderate income (LMI) households before all others. This is a simple process of starting with the low income

households and assisting them while working their way up by income to the final income group of 120 percent AMI.

Reports are coming from the state showing very little and very slow progress in assisting the LMI communities. The state of Louisiana has added criteria that the homeowners must complete or not qualify for the reimbursements. One such requirement the state of Louisiana demands is to have completed all repairs or reconstruction before the state will follow the HUD Guidance and payoff the SBA loan for those earning less than 120% AMI. In most of the cases we have reviewed the issues homeowners are having with not being able to complete repairs or reconstruction are nearly always related to money and the lack of funds to complete a project. In some cases the state is justified in protecting any recaptures but in most cases when it's clear the SBA funds were not enough to complete repairs the state should step up and assist the homeowners but feels the risk to the grant award is too high and opts to not offer the HUD assistance as HUD worded it in Guidance June 20, 2019.

In Action Plan Amendment #12 which was partially approved by HUD the state published SBA loan recipient numbers and amounts.

Page 16 of APA 12: Summary of Restore Louisiana Housing Assistance Program (RLHAP) Award Adjustments which identifies 1,394 homeowners with SBA loans earning less than 80 percent AMI for a total of \$48,152,948 and 971 homeowners with SBA loans earning between 80.1 percent and 120 percent for a total of \$33,809,200. The state also identified 4,227 homeowners with greater than 120 percent income for a total of \$155,864,843. To keep focus on approved groups and groups the state of Louisiana is forced to work with the greater than 120 percent households will not be part of this report because at this time the state of Louisiana has not made a successful attempt to qualify income groups outside of HUD's scope of support which is below 120 percent AMI.

Current eligible homeowners for the SBA Reimbursement process total 2,365 according to state provided numbers in Action Plan Amendment (APA) #12.

The state needs to recalculate 2,365 SBA loan recipients on top of recalculating the declined and cancelled SBA loan households which total 1,168.

#### Restore Louisiana Homeowners Program (RLHP) Award Adjustment Process

- Phase I: Declined and Undisbursed SBA Disaster Loans

February 9, 2018 President Trump signed into law public law 115-123 which included an updated definition of a "Declined" federally secured loan such as a loan from the SBA. This law was then used by HUD to provide Guidance dated June 20, 2019. The Guidance is used by state government and HUD grantee's as a method of processing. The state of Louisiana added the new Declined SBA Loan guidance to it's APA #12 and was able to process 1,168 homeowners removing their SBA DOB and allowing them access to HUD CDBG-DR grants. This was a big win for disaster victims who are not aware of HUD CDBG-DR Disaster Recovery Grants.

The 1,168 break down: 863 loans were declined and 305 loans were signed but funds were never drawn. This could have been signed loans then canceled loans as well.

The state of Louisiana reports and lists as shown on page 16 and 17 of APA #12.

- SBA loan, Zero Amount Drawn by Disaster Victims

A total of 172 households earning less than 80% AMI will have access to \$5,744,232 HUD CDBG-DR grants.

A total of 198 households earning less than 120% and greater than 80% AMI will have access to \$6,413,567 HUD CDBG-DR grants.

A total of 798 households earning more than 120% AMI will have access to \$26,502,908

Total 1,168 households that benefited from Public Law 115-123 and HUD Guidance June 20, 2019 that were once previously penalized by the state of Louisiana OCD-DRU who also refused most all of them any type of

assistance after the flood is \$38,660,707.

It was recorded in APA #12 that 11 households had drawn part of their SBA loan and the grant duplication of benefits (DOB) would be adjusted to the new amount. Their total of additional grants is \$220,873.

The American Taxpayers offered over \$38 million to flood victims and they are finally receiving it in the year 2020 after nearly 4 years of battles over the word "Declined".

- Phase II: Disbursed SBA Loan Adjustments

The state of Louisiana Restore Program identified 1,138 households eligible for approximately \$42,480,893 in grant award adjustments. These adjustments fall under Public Law 115-254 Stafford Act Amendments signed into law by President Trump October 5, 2019. HUD Guidance June 20, 2019 clarified how disaster victims SBA loans would be reimbursed based on income of household. (120 percent AMI or less).

The state is delaying the process and causing more stress to the low income households still recovering from the 2016 floods. By not allowing the authorized funds to pay off SBA loans some low income households are finding it nearly impossible to complete repairs. The state is allowing these households to withdraw from the program or face deadlines that may not be achievable by this demographic group.

Understanding the State of Louisiana OCD-DRU HUD to SBA Repayment Phases

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