

## **Low income, moderate income households are suffering at the hands of HUD funds to rebuild after a disaster.**

In the immediate aftermath of the storms, more than 18,000 Louisiana homeowners were approved for Small Business Administration (SBA) loans and are now unlikely to receive CDBG funding to complete their recovery. As you are aware, SBA loans are often the only source of funding for some citizens following a disaster and must be repaid, while CDBG assistance does not have to be repaid by the homeowner. We are requesting your support in allowing homeowners to make use of both SBA loans and CDBG funding. This is, perhaps, the single biggest change we can make to support homeowners, not just in Louisiana, but across the country. Many homeowners were determined to have been eligible for SBA loans but did not take full advantage of those resources for financial or other reasons. Currently, HUD requires us to take the full amount of the authorized loan as a duplication of benefits, despite the fact that the full loan was not drawn by the homeowner. In many cases, these homeowners have decided they cannot support the additional financial burden of the loan, but they are still being penalized as they seek HUD assistance. This is a policy fix by HUD, and is in fact, supported in 42 USC 5155 of the Stafford Act.

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The discussion regarding Duplication of Benefits and who can make changes continues for Louisiana the poorest state in the union still resisting to give federal grant money to below moderate income and low income families to help them rebuild.

In cases where a homeowner received or was approved for funding from other sources (such as FEMA or SBA) to repair his/her storm-damaged home, federal law requires those funds to be invested by the homeowner into home repair before the program may provide additional dollars.

**Solution 1 (Program Managed Construction)** – The “required escrow” funds referenced by your previously accepted award acknowledgment must be submitted to the program during your closing appointment in the form of a cashier's check. These funds are matched with your grant funds from the Restore program to ensure your repair/reconstruction project is fully funded and complete.

**Solution 2 (Homeowner Managed Construction)** – The “homeowner responsibility” amount referenced in your grant agreement is the amount of money you will need to spend on home repairs listed in your Estimated Cost of Repairs (ECR) prior to receiving program grant funds. Once the program inspects and confirms completion of items in your ECR totaling more than your homeowner responsibility, you will be able to receive grant funds. If you have completed repairs since the time of your damage assessment, the cost of those items may be reduced from your homeowner responsibility amount.

For more information, visit <http://restore.la.gov/faqs/>

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Comments:

Really? You shared this? The first time in Disaster History to have a state agency collect money from LOW INCOME families before they give additional money.

Capitalism at it's finest.

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it's a rule that HUD references and offers guidance on. HUD actually allows the Grantee the option to "Subtract" or "Recapture" DOB FOR other agencies but does not require it. It is up to Restore LA to make that call after public comments are reviewed.

BUT, the Federal Registry shows that the agency that overpaid is responsible for it's own recapturing of DOB funds. It's long and references rules and a few guidance letters. But in the end, Restore can collect or recapture for another agency, they can hold that money for up to 30 days and can not collect interest on that money. Then it must be transferred back.

Now, I do believe they transfer the money back to the CDBG appropriations fund not actually FEMA. FEMA then could if I understand the flow of money request the money back or just simply leave it in the honey pot it ends up in. To date FEMA has never asked for the money back citing, "The costs are to great".

My question, where does the collected money (not the escrow money) actually go?

To get this translated from Murray to American English I'll be reaching out to a few people. But now before I slam this process that I don't remember reading in the public comments section I need to finish up with the SBA Loan Declined letters. We know Forbes is planning on not allowing anyone to use the word Declined if you don't have a letter on file at the Texas office of the SBA.

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This should get you going. I'll make this into a 3 comment posting. Then I'll bundle it up and try to make it readable.

Part One: Motivation to Collect, Recover, Recapture DOB.

The Motivation to Collect. (Read administrative direct cost allowances OCD)

2 C.F.R. Part 200.428

[https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=89550025cad94848c15837428eee500a&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1428](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=89550025cad94848c15837428eee500a&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1428)

§200.428 Collections of improper payments.

The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate. Amounts collected may be used by the non-Federal entity in accordance with cash management standards set forth in §200.305 Payment.

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HUD OIG report 2017:

Part TWO of FOUR

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HUD OIG KC 2017 report not specific to our issue but offers good research data.

Since CDBG-DR provides long-term recovery assistance via supplemental congressional appropriations and falls lower in the hierarchy of delivery than FEMA or SBA assistance, it is intended to supplement rather than supplant these sources of assistance. If CDBG-DR funds or non-Federal funds were provided last and unknowingly create a duplication, the method of recapturing the CDBG funds and the timeframe are the responsibility of the grantee. HUD has no set guidelines or regulations for this process.

<https://www.hudoig.gov/sites/default/files/documents/2017-KC-0004.pdf>

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#### PART THREE of FOUR

Online CDBG Grantee training.

The part, Necessary – not defined in 2 CFR part 200. Is it eligible? For a permissible recovery purpose? which opens the doors to Restore LA to create internal guides to collect over payments from other federal agencies when it's the actual agencies responsibility to collect their funds.

CDBG Online Training related PPT slide.

<https://www.hudexchange.info/course-content/2017-cdbg-dr-problem-solving-clinics/CDBG-DR-Basics.pdf>

OMB = Office of Management and Budget

Duplication of Benefits (continued)

- OMB Cost Principles – Necessary and Reasonable
- OMB Cost Principles
- Necessary – not defined in 2 CFR part 200. Is it eligible? For a permissible recovery purpose?
- Reasonable – a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
- Other factors related to the reasonableness of the cost are described in 2 CFR part 200
- SBA Loans: presumption that use of CDBG funds to pay down SBA loans is not necessary or reasonable

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Part 4 of 4

This is what forced me to read the whole dang C.F.R. 200.xxx eCFR helps. Most of it appeals to their internal audits but C.F.R. Part 200.428 applies to money collected thus allowing IEM Inc and their \$308,000,000.00 contract to go even higher. ■

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Financial Management

- Grantees and their sub recipients must comply with all OMB requirements at 2 CFR 200 including:
  - Financial and internal controls
  - Procurement
  - Independent Cost Estimates
  - Accounting procedures
  - Cost principals and audit requirements
  - Timely expenditure of funds including program income
  - Performance measures

- Written agreements
- HUD requires grantees to prepare financial forecasts by programs to project expenditures and measure progress

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This was for your reading pleasure. It's time to take a part out of the HUD play book that talks about low income families and undo hardship that federal and local regulations place on disaster victims.

That's the path that will work, and if it doesn't it will allow us to drag IEM Inc into the spotlight for profiteering off of disaster funds for the 80% AMI or lower groups.

It can be fixed, it's just a matter of presenting the fight in under 3 minutes that paints a picture that Patrick Forbes is all about profit and not about the restore.

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" The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate."

The Open comment period before May of 2017 one of the contractors asked about reimbursement costs incurred when collections are made.

I believe that was the catalyst for Restore LA to create a "Recapture" process instead of using HUD and FEMA guidance of simply subtracting the difference between the overage and new money awarded.

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Politicians can only take a bullet list of one item per sticky note.

So I group things on my local computer into issue folders.

I separate things based on what I think possible outcomes could be.

Example: Homeowner Responsibility when addressed by family household incomes of 80% AMI and how Restore LA is not upholding the core beliefs of HUD and what the CDBG program was intended to do is easier if I leave out high income households and the SBA Loan issues.

The goals are the same, the plans are different.

80% AMI of LMI households addresses HUD directly without having to deal with congress. The guidances are in print and they are in CDBG training material except for the states Administrative Manual. We need local government to see that guidance was not taken into consideration when working with our primary CDBG households.

Seems everyone remembers the Katrina days and that \$150k jackpot. Then the Sandy days when they just said, "Forget-about-it" to the tune of \$35 million in DOB.

Now we have a contractor that really doesn't have the experience and is trying not to end up with a blimish on their corporate resume.

The contractor for Restore LA is IEM Inc. and their main business profile is "Risk Management". Doesn't

that sound like a match for a program designed to help LMI people? Risk...

The SBA Loan Declined and the SBA Loan as DOB are also two different issues one can be corrected with the Task Force simply making a motion to follow the Nov. 2011 and Letter of 2013 HUD Guidance.

The SBA Loan issues.

The Loan offered vs. the money taken.

Then we argue the fact that it is a loan. Which opens the doors to RICO if you have read the OIG reports and see that SBA loans were pushed after the NFIP announced it was broken and broke.

So you see, one big happy family with similar but not the same issues.

Ugh, it's break time.

NOTE: I just suggest plans and do my best to collect the supporting documents. I'm not in any way suggesting the group do anything. But I'm not saying don't do anything either.

I believe in helping those that are willing to help themselves

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