

80 percent AMI LMI SBA Loan Declined households being told to find their own resources for disaster recovery.

FACT CHECK



CDBG-DR Program

RE\$TORE

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FACT CHECK: Q: I applied and was told that I was eligible for an SBA loan. How will this affect the grant award that I can receive through the Restore Louisiana Program?

State of Louisiana Office of Community Development - Disaster Recovery Unit Grantee for HUD CDBG-DR Funds allocated by Congress.

OCD-DRU (Restore.LA) Response:

Current federal regulations deem Small Business Administration (SBA) loans for repair to be a duplication of benefits for federally-funded repair programs. If an applicant has executed a loan from the SBA to cover the cost of repairs, the total amount of the approved loan is considered a duplication of benefits and unfortunately, the entire SBA approved loan amount counts as a duplication of benefits even if an applicant has declined the loan or requested a reduction after SBA approval. Further, the entire SBA approved amount counts as a duplication of benefits even if an applicant has not drawn down any funds from the approved loan.

Applicants who have applied for an SBA loan but have a record of declining the loan or have not executed the SBA loan may be considered for program funding, but awards will be adjusted to account for any SBA duplication of benefits.

If a low to moderate income (LMI) household has declined an SBA loan, a hardship will be presumed and the SBA loan will not be considered a duplication of benefits. SBA loan declination is defined as an applicant having never executed the SBA loan documents.

In addition, hardship rules can be extended to both LMI and non-LMI households in cases where SBA has changed the underwriting of the loan and its terms due to a change in the applicant's circumstances (loss of job, death, etc.). If this occurs, the program would use the new eligible SBA award if they lowered the loan, or remove the DOB in its entirety if it was cancelled in full. It is the Applicant's responsibility to contact SBA and provide the program with a copy of their letter from SBA if they meet these criteria.

Fact Check:

- 1. TRUE:** Current federal regulations deem Small Business Administration (SBA) loans for repair to be a duplication of benefits for federally-funded repair programs.
- 2. TRUE:** If an applicant has executed a loan from the SBA to cover the cost of repairs, the total amount of the approved loan is considered a duplication of benefits and unfortunately, the entire SBA approved loan amount counts as a duplication of benefits even if an applicant has declined the loan or requested a reduction after SBA approval.
- 3. TRUE / FALSE:** Further, the entire SBA approved amount counts as a duplication of benefits even if an applicant has not drawn down any funds from the approved loan.

This applies only to those that have signed and accepted the SBA Loan. The wording makes it sound as if it crosses into the Declined SBA Loan wording "... SBA approved amount..." which can reflect the SBA Declined to take the loan verbiage as shown below in point 4.

This would have to be cleared up by a re-write identifying that this passage is for an "Accepted" SBA Loan, not just the approval amount which every application was given that was approved for a loan without regard if they actually took the loan or continued with the loan application.

See Public Law No: 115-123 to thwart "...but awards will be adjusted to account for any SBA duplication of benefits." Public Law 115-123 regarding SBA loans that have been approved but declined by the homeowner or not taken by the homeowner is worded as follows; "...shall not take into consideration or reduce the amount provided to any applicant for assistance from the grantee..."

- 4. FALSE:** Applicants who have applied for an SBA loan but have a record of declining the loan or have not executed the SBA loan may be considered for program funding, but awards will be adjusted to account for any SBA duplication of benefits.

LAW: H.R.1892 - Bipartisan Budget Act of 2018 115th Congress (2017-2018)

[Rep. Larson, John B.](#) [D-CT-1] (Introduced 04/04/2017)

02/09/2018 Became Public Law No: 115-123.

That with respect to any such duplication of benefits, the Secretary and any grantee under this section shall not take into consideration or reduce the amount provided to any applicant for assistance from the grantee where such applicant applied for and was approved, but declined assistance related to such major declared disasters that occurred in 2014, 2015, 2016, and 2017 from the Small Business Administration under section 7(b) of the Small Business Act (15 U.S.C. 636(b))

Definitions:

Secretary = Ben Carson

Grantee = Governor John B. Edwards to which [executed executive order](#) placing the State of Louisiana Office of Community Development - Disaster Recovery Unit as the executor with full state power as afforded by the disaster declaration.

This applies for the March and August 2016 floods as well as any other disaster listed from 2014 to 2017

5. **TRUE:** *If a low to moderate income (LMI) household has declined an SBA loan, a hardship will be presumed and the SBA loan will not be considered a duplication of benefits.*
6. **TRUE:** *SBA loan declination is defined as an applicant having never executed the SBA loan documents.*
7. **TRUE:** *In addition, hardship rules can be extended to both LMI and non-LMI households in cases where SBA has changed the underwriting of the loan and its terms due to a change in the applicant's circumstances (loss of job, death, etc.).*
8. **TRUE / FALSE (UNTESTED):** *If this occurs, the program would use the new eligible SBA award if they lowered the loan, or remove the DOB in its entirety if it was cancelled in full.*

By SBA program terms your loan which was reduced would then be updated in the data feed to the grantee. But, it is not clear if the grantee (State of Louisiana) would honor a "..cancelled in full." do to the fact the grantee has denied SBA Loans that were declined and uses the full "Approved SBA Loan Amount" even if presented with a letter from the SBA Loan division indicating that the approved loan for the homeowner has been officially canceled.

9. **FALSE:** *If this occurs, the program would use the new eligible SBA award if they lowered the loan, or remove the DOB in its entirety if it was cancelled in full.*

This line follows the line above which again is false in that even with a letter from the SBA and the word "Cancelled" in the wording the grantee has refused to remove the SBA Loan amount from the Duplication of Benefits.

10. **TRUE:** *It is the Applicant's responsibility to contact SBA and provide the program with a copy of their letter from SBA if they meet these criteria.*

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