



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

PRINCIPAL DEPUTY ASSISTANT SECRETARY  
FOR COMMUNITY PLANNING AND DEVELOPMENT

Mr. Jay Dardenne  
Commissioner  
Division of Administration  
State of Louisiana  
1201 N. Third Street, Suite 7-210  
Baton Rouge, LA 70802

OCT 10 2019

Dear Mr. Dardenne:

The Department is 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 115-31. Pursuant to these appropriations, HUD has allocated \$1,708,407,000 to the State for long-term recovery from major storms and flooding events that occurred in 2016. APA #12 does not adjust existing program budgets or intended beneficiaries and proposes the following modifications to the State's Action Plan:

- 1) Provides for adjustments to existing awards under the Restore Louisiana Homeowner Assistance Program (RLHAP) to implement provisions of the Disaster Recovery and Reform Act of 2018 (DRRA), which provide that loans shall no longer be considered a duplication of benefits in the calculation of CDBG-DR assistance to a beneficiary;
- 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); and
- 3) Modifies a provision of the Action Plan that allows for interim mortgage assistance to participants in the RLHAP to also allow for the reimbursement of interim mortgage assistance costs.

APA #12 is considered a substantial amendment as the *Federal Register* Notice authorizing the use of CDBG-DR funds for reimbursement of SBA loan costs requires grantees to submit a substantial action plan amendment in order to undertake that activity (84 FR 28843). In providing for the reimbursement of interim mortgage assistance to homeowners, APA #12 proposes a change in program benefit, which also meets the definition of a substantial amendment for this grant (81 FR 83262).

With regard to the first portion of the amendment outlined in #1 above, the Department finds that the State's proposed adjustment of existing awards under the RLHAP to no longer consider loans as a duplication of benefits (DOB) is consistent with the DRRA and the Department's applicable *Federal Register* Notice.

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).

As discussed previously with the State, the Department finds the provision 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 and 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.

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.

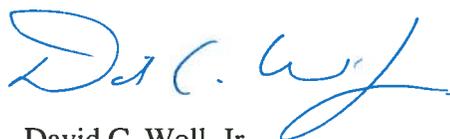
With regard to the interim mortgage assistance provision in item #3 referenced above APA #12 notes that many homeowners eligible for this RLHAP assistance have been paying additional mortgage or rental payments because their primary residence remains uninhabitable since the 2016 floods. Under the State's rules for the RLHAP, homeowners are required to place all amounts of other assistance that would constitute a DOB in escrow or complete repairs equal to the amount of the DOB as part the homeowner's responsibility. The State has concluded that because of the duplicate housing expense among this population of homeowners, repairs have been delayed because the homeowner cannot meet their escrow or homeowner responsibility obligation and are

unable to close on their RLHAP grant and access the funds.

The Department notes that reimbursement of mortgage assistance is not an eligible activity under the waiver and alternative requirement that allows the State to provide interim mortgage assistance (81 FR 83270) or under the provision for the reimbursement of disaster recovery expenses that is applicable to this grant (81 FR 83266). The Department will continue to work with the State to establish, if needed, a waiver and alternative requirement that will assist homeowners in fulfilling their financial obligations under the RLHAP rules.

The Department remains committed to assisting the State of Louisiana in its efforts to recover from the devastating effects of the 2016 flooding disasters and looks forward to working with you and your staff to address the State's long-term recovery needs. If you or any members of your staff have any questions, please contact Tennille S. Parker, Director, Disaster Recovery and Special Issues Division, at (202) 402-4649.

Sincerely,

A handwritten signature in blue ink, appearing to read "D.C. Woll, Jr.", with a stylized flourish at the end.

David C. Woll, Jr.  
Principal Deputy Assistant Secretary  
for Community Planning and Development