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Restore Louisiana Issues Statement on HUD's Duplication of Benefits Guidance

On Friday, June 14, 2019, the U.S. Department of Housing and Urban Development (HUD) issued the long-awaited guidance regarding Small Business Administration (SBA) loans being considered a Duplication of Benefits (DOB) for federal grant dollars available through Restore Louisiana. Currently, the Office of Community Development (OCD) is working with HUD to fully understand the requirements of the guidance, which will soon go into effect once published as a notice in the Federal Register.

OCD has begun writing the HUD-required Action Plan Amendment (APA) and modifying Restore Louisiana program policies and procedures in order to implement HUD's guidance. Once HUD provides clarification on the federal requirements and limitations of the guidance, Restore Louisiana will contact impacted homeowners with more detailed information about their specific accounts and any additional documentation that may be required.

"The good news is that Restore Louisiana may be able to soon move forward with processing reductions in DOB in cases where homeowners declined the SBA loan amount they were approved for, regardless of income," said OCD Executive Director Pat Forbes. "Because the Program has been preparing for this for months, and we do not believe an APA is necessary for this portion of the guidance, homeowners who outright declined their SBA loan may expect to receive notification from the Restore Louisiana program in the coming weeks."

The guidance includes various stipulations for how Restore Louisiana may update the grant DOB calculation, depending on whether a homeowner declined, canceled, or drew down in whole or part SBA loan funds, as well as whether a homeowner's total household income is below or above 120 percent of the Area Median Income (AMI). AMI is a federal metric that defines the midpoint of a region's income distribution while also taking into account an individual's parish and household size.

The Restore Louisiana program continues to work with Louisiana's Congressional delegation to get further clarification from HUD on these and other aspects of the guidance; however, below is the Program's current understanding of the guidance:

For homeowners who declined or canceled the SBA loans they were approved for, the SBA loan amount they did not draw down will no longer be counted as a Duplication of Benefits for their Restore grant, regardless of income.

The State must submit a substantial APA to HUD to be able to provide funds for repayment of SBA loan funds disbursed to homeowners. Once that action plan amendment is approved, the Program will be able to provide funds for repayment of the drawn down amounts of SBA loans for all households at or below 120 percent AMI.

Households with income above 120 percent AMI may also be able to receive funds for SBA loan repayment if they can demonstrate a "hardship." The criteria for a hardship exception must be approved by HUD as part of the substantial action plan amendment. HUD will then need to approve homeowners' financial hardship justification on a case-by-case basis.