

# Office of Community Development

## Disaster Recovery Unit

State of Louisiana

Division of Administration

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## **Restore Louisiana Issues Statement on HUD's Response to Action Plan Amendment 12**

Today, the U.S. Department of Housing and Urban Development provided a response to the state's proposed guidelines for Small Business Administration loan repayments defined in Action Plan Amendment 12. As part of HUD's guidance issued in June, the state was required to submit APA 12 in order to authorize the use of Community Development Block Grant Disaster Recovery funds for reimbursement of disbursed SBA loan amounts.

While multiple states with CDBG-DR allocations are impacted by the updated Duplication of Benefits guidance, Louisiana was the first to submit the required APA with a full implementation plan, as well as the first to issue checks for undisbursed SBA loan amounts previously counted as a DOB. In response to APA 12, HUD approved several parameters defined in the APA, but requested further information regarding the criteria proposed for demonstrating a financial hardship, a requirement for households above 120 percent Area Median Income. The state's proposed criteria would have allowed for maximum flexibility, but HUD is requiring more specific information on the criteria before approving.

“With this guidance, we can now alleviate the burden of SBA loan debt for households at or below 120 percent AMI,” said Louisiana Office of Community Development Executive Director Pat Forbes. “We did what we said we were going to do and asked for a very broad range of criteria for financial hardships for those families above 120 percent AMI. HUD is indicating that they need more information on those criteria to move forward with approval, so we are working diligently to provide whatever is necessary so we can help this group of homeowners.”

Over 1,800 homeowners with a total household income at or below 120 percent AMI will have their grant awards updated to remove disbursed SBA loan amounts currently being calculated as a DOB for their Restore Louisiana grant award. The Program is required to issue reimbursement checks directly to SBA, which will apply the funds to the disbursed portion of the homeowners’ executed loan.

For homeowners with a total household income at or below 120 percent AMI who have already accepted and executed their grant agreement with the Program, checks will be issued in the next few weeks to SBA on their behalf. Homeowners with a total household income at or below 120 percent AMI who have not yet executed their grant agreement will receive notice of their increased award and the Program will work with them to finalize their updated grant agreements so reimbursement can likewise be issued to SBA on their behalf.

OCD is working with HUD to fully understand the next steps for modifying the hardship criteria and resubmitting the APA for final approval. Once OCD receives further clarification from HUD on the hardship exception criteria and process, Restore Louisiana will contact impacted homeowners with more detailed information about their Program status and next steps.

Since receiving HUD’s original SBA guidance, the Program expedited reimbursement to nearly 870 homeowners who received over \$16 million in funds that were previously inaccessible due to federal regulations that required even the undisbursed portions of SBA loans to be considered DOB whether the loans were canceled, declined, or accepted.