

# **CDBG-DR**

# **Policy Bulletin**

Guidance on the  
2019 Duplication of Benefits Notice



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## INTRODUCTION<sup>i</sup>:

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### The 2019 DOB Notices

In June of 2019, the U.S. Department of Housing and Urban Development (HUD) published two notices in the Federal Register.

- **84 FR 28836:** “*Updates to Duplication of Benefits Requirements Under the Stafford Act for Community Development Block Grant (CDBG) Disaster Recovery Grantees*” (the “**2019 DOB Notice**”) that describes the requirements to prevent duplication of benefits (DOB) applicable to Community Development Block Grant disaster recovery (CDBG-DR) grants in response to a disaster declared between 2015 and 2021. The requirements of the 2019 DOB Notice are made applicable to grants through conditions in the grant agreement, which incorporate the notice.
- **84 FR 28848:** “*Applicability of Updates to Duplication of Benefits Requirements Under the Stafford Act for Community Development Block Grant (CDBG) Disaster Recovery Grantees*” (the “**DOB Implementation Notice**”) at 84 FR 28848 which discusses how the 2019 DOB Notice applies to CDBG-DR grants awarded for disasters occurring in 2015, 2016, and 2017. The DOB Implementation Notice was amended, in part, by the September 28, 2020 *Federal Register* notice at 85 FR 60821 (the “**OMNI Notice**”) (amendments are summarized in this bulletin).

Under the DOB Implementation Notice, as of June 25, 2019, CDBG-DR grants made in response to 2015, 2016, and 2017 disasters are subject to the requirements on the treatment of declined subsidized loans in the 2019 DOB Notice (section V.B.2.(ii) of the 2019 DOB Notice under the heading *Declined SBA Loans*). This means that grantees are prohibited from treating declined subsidized loans, including declined SBA loans, as a DOB in their policies and procedures, but they may consider declined subsidized loans for other reasons, such as underwriting.<sup>1</sup>

Also, as of June 25, 2019, CDBG-DR grants made in response to 2016 and 2017 disasters are subject to the duplication of benefits provision in section 312 of the Stafford Act, as amended by section 1210 of the Disaster Recovery Reform Act of 2018 (DRRA) (division D of Pub. L. 115–254), and the related provisions of the 2019 DOB Notice (section V.B.2.(iii) of the 2019 DOB Notice). This means that when the conditions of DRRA and related provisions of the 2019 DOB Notice are met, a grantee is not required to treat a subsidized loan as a duplication of benefits.

A change in the treatment of loans for an activity in response to the 2019 DOB Notice requires a corresponding update to the grantee’s policies and procedures and the grantee must amend its action plan, if applicable, to reflect any resulting changes in benefits to program participants or

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<sup>1</sup> The 2019 DOB Notice provides “CDBG–DR grantees *shall not* treat declined subsidized loans, including declined SBA loans, as a DOB (but are not prohibited from considering declined subsidized loans for other reasons, such as underwriting). If a grantee’s DOB policies and procedures treat declined loans as a DOB, the grantee *must* update its policies and procedures.” 84 FR 28836, 28842 (emphasis added). The 2019 Implementation Notice provides “Grants are subject to the requirement under the tenth proviso following the Community Development Fund heading of Public Law 115–123 (Declined Loans Provision) and the requirements for its implementation in the 2019 DOB Notice.”

to correct any resulting inconsistencies with duplication of benefits policies described in the action plan. However, the DRRA and the 2019 DOB Notice do not prohibit grantees from adopting DOB policies and procedures that are more restrictive than the DRRA amendments to section 312 of the Stafford Act.<sup>2</sup> A grantee's policies and procedures may include policies that are appropriate to meet disaster-related needs, including reducing the amount of CDBG-DR assistance by the amount of a subsidized loan.

#### The 2011 DOB Notice

For CDBG-DR grants made in response to 2015, 2016, and 2017 disasters, all of the provisions of the 2019 DOB Notice (other than the provisions related to the treatment of declined subsidized loans and DRRA which apply as described above) supersede the *Federal Register* notice published on November 16, 2011, entitled, “*Clarification to Duplication of Benefits Requirements Under the Stafford Act for Community Development Block Grant (CDBG) Disaster Recovery Grantees*” at 76 FR 71060 (the “**2011 DOB Notice**”) for any **new activities** submitted to HUD in an action plan or action plan amendment on or after June 25, 2019.

The 2019 DOB Notice also supersedes the 2011 DOB Notice for existing programs and activities, **to the extent that the grantee amends its action plan or its policies and procedures to change the treatment of loans in accordance with the 2019 DOB Notice.**

As discussed in section 3 of this bulletin, the provisions of the 2011 DOB Notice continue to apply to existing programs and activities for 2015–2017 disasters if the activities were included in an action plan for disaster recovery before June 25, 2019, and were not amended to change treatment of loans in accordance with the 2019 DOB Notice. However, even when the 2011 DOB Notice applies, grantees must comply with the grants that are subject to the treatment of declined loans in the 2019 DOB Notice.

#### DOB Requirements for Allocations After June 2019

Since August of 2019, the Department has published several allocation notices for CDBG-MIT and CDBG-DR grants. These notices were published after the 2019 DOB Notice and imposed its requirements on CDBG-MIT and CDBG-DR funding. For simplicity, this document discusses DOB requirements for CDBG-DR funds, however, the 2019 DOB Notice is applicable to CDBG-MIT funds. In general, DOB for CDBG-MIT can be thought of in the same way as CDBG-DR. For example, CDBG-DR grants address “unmet need” or “disaster recovery need”

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<sup>2</sup> The 2019 DOB Notice provides “FEMA also advised that the DRRA amendments do not *automatically* require or authorize repayment of existing loan amounts. . . . Grantees that received a CDBG–DR grant in response to a DRRA Qualifying Disaster *may* revise awards to applicants with undisbursed subsidized loan assistance from SBA or other sources to provide additional CDBG–DR assistance. . . . Subject to conditions of this notice, grantees that received CDBG–DR grants in response to DRRA Qualifying Disasters *may* grant CDBG–DR funds to reimburse individuals and businesses (other than the grantee or subrecipients) for some costs of CDBG–DR eligible activities that were paid with subsidized loans.” 84 FR 28836, 28842 (emphasis added). The 2019 DOB Implementation notice provides that “grantees are not required to reimburse the costs paid with subsidized loan proceeds and may design their eligibility criteria to appropriately meet the needs within their most impacted and distressed areas.” 84 FR 28848, 28849.

which is similar to CDBG-MIT grants that address “unmet mitigation need.” While there are differences between the grants, the funds are only paying for the needs that have not been met or will not be met by another source.

- **84 FR 45838:** “*Allocations, Common Application, Waivers, and Alternative Requirements for Community Development Block Grant Disaster Recovery Grantees (CDBG Mitigation)*” (the “**Main CDBG-MIT Notice**”). Later, the Department published several subsequent *Federal Register* notices (84 FR 47528, 85 FR 4676, and 86 FR 561), which imposed the requirements of the Main CDBG-MIT Notice and applied the requirements in the 2019 DOB Notice.
- **85 FR 4681:** “*Allocations, Common Application, Waivers, and Alternative Requirements for Disaster Community Development Block Grant Disaster Recovery Grantees*”.
- **86 FR 569:** “*Allocations, Common Application, Waivers, and Alternative Requirements for Disaster Community Development Block Grant Disaster Recovery Grantees; Second Allocation*”
- **87 FR 6364:** “*Allocations for Community Development Block Grant Disaster Recovery and Implementation of the CDBG–DR Consolidated Waivers and Alternative Requirements Notice*”
- **87 FR 31636:** “*Allocations for Community Development Block Grant Disaster Recovery and Implementation of the CDBG–DR Consolidated Waivers and Alternative Requirements Notice*”

#### Purpose of Policy Bulletin and Other Guidance

To assist grantees, the Department held and recorded the following DOB webinars. Each webinar discusses the 2019 DOB Notice, the DOB Implementation Notice, and other DOB requirements, including the steps to complete and document a DOB analysis.

- Duplication of Benefits Webinar – 2019 <https://www.youtube.com/watch?v=r6gs251YPP8>.
- CDBG-DR/CDBG-MIT Webinar Series: DOB: Understanding and Applying the Requirements - 2020 [https://www.youtube.com/watch?v=xF\\_x2Gz25SQ](https://www.youtube.com/watch?v=xF_x2Gz25SQ).

In addition, the Department has developed this guidance document to consolidate various requirements in the 2019 DOB Notice and DOB Implementation Notice, as amended by the OMNI Notice. This guidance document restates information for clarity but does not establish any new requirements and lacks the force and effect of binding law.

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## 1. 2019 DOB NOTICE KEY REQUIREMENTS

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A grantee can tailor its analysis to its own programs, but it must include the following considerations in its DOB analysis.

1. Assess applicant's disaster recovery need.
2. Identify the total assistance available to the applicant.
3. Exclude any non-duplicative amounts from the DOB analysis.
4. Identify the DOB amount and calculate a total award. (A grantee can subtract the DOB amount from the applicant's total need to calculate the maximum CDBG-DR award. The maximum CDBG-DR award is the amount of the "unmet" disaster recovery need. The grantee can apply program caps, as necessary, to finalize the CDBG-DR award.)
5. Reassess unmet need when necessary.

*NOTE: CDBG-DR assistance may only pay for eligible activities to address unmet need. To meet the DOB requirements, a grantee must verify all sources of financial assistance available to the applicant.*

*NOTE: While outside of the required DOB calculation framework, grantees must follow the "necessary and reasonable" cost principles at 2 CFR 200.403 and 200.404. Grantees must consider factors described at 2 CFR 200.404(a) through (e) when determining which types and amounts of cost items are necessary and reasonable. The necessary and reasonable cost principle reinforces the DOB requirements because HUD generally presumes that if a cost has been paid by another source, charging it to the Federal award violates the necessary and reasonable standard unless grant requirements permit reimbursement.*

Typically, to be adequate, a grantee's DOB policies and procedures will:

1. Require individual DOB analyses for each applicant.
2. Verify all sources of assistance received by the subrecipient or applicant, as applicable, prior to the award of CDBG-DR funds.
3. Determine a subrecipient's or an applicant's remaining funding need(s) for CDBG-DR assistance before committing funds or awarding assistance.
4. Require beneficiaries to enter into a signed agreement to repay any duplicative assistance if they later receive additional assistance for the same purpose for which the CDBG-DR award was provided.
5. Use the best, most recent available data from FEMA, the SBA, insurers, and any other sources of local, State and Federal sources of funding to prevent DOB prior to an award of CDBG-DR assistance.
6. For 2015-2021 disaster grants *only*, reflect treatment of loans that is consistent with the requirements of declined subsidized loans in the 2019 DOB Notice.
7. For 2016-2021 disaster grants *only*, reflect any requirements related to the DRRA (until its sunset) and its related provisions in the 2019 DOB Notice. The DRRA is currently scheduled to sunset October 5, 2023.


Generally, a grantee must exclude amounts of assistance in a DOB calculation after the grantee verifies the assistance was provided and used for:

- 1) A different purpose than the CDBG-DR eligible activity (a general, non-specific purpose is considered a different purpose (e.g., “disaster relief/recovery”), as long as the general assistance is not used for the same costs as the CDBG-DR funds).

**OR**

- 2) The same purpose, but a different allowable use than the CDBG-DR eligible activity.

**Example of Same Purpose, Different Allowable Use:** An applicant seeks CDBG-DR assistance for “housing rehabilitation” and will use the CDBG-DR assistance to rehabilitate the interior of the house. The applicant previously received “housing rehabilitation” assistance from another source of funding. The applicant has documentation that verifies the applicant used the other source to replace the roof. In this example, another source of assistance was provided to the applicant for the same purpose of “housing rehabilitation” (the eligible CDBG-DR activity), but the funds were used for a different, allowable use (cost to replace the roof) than the CDBG-DR activity (cost to rehab the interior of the house) and may be excluded by the grantee from the DOB calculation.





## 2. EXCEPTIONS WHEN A SUBSIDIZED LOAN IS NOT A DUPLICATION

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Generally, subsidized loans must be factored into a duplication of benefits analysis. However, there are exceptions to this rule. HUD's 2019 DOB Notice outlines the exceptions when a subsidized loan is not a duplication.

*Note: Private loans, as defined in the 2019 DOB Notice, are not financial assistance and do not need to be considered in the DOB calculation.*

### 2.1. Overview of Exceptions for Short-term Loans and Declined or Cancelled Loans:

#### **2.1.a. Short-term subsidized loans**

One of these exceptions is for **short-term subsidized loans**. If the CDBG-DR grant allows for reimbursement, and the grantee or subrecipient obtained a short-term subsidized loan to pay for eligible costs before CDBG-DR funds became available (for example, a low-interest loan from a local tax increment financing fund), the reimbursement of the eligible costs paid by the short-term subsidized loan does not create a duplication.

#### **2.1.b. Declined or cancelled subsidized loans**

Another exception applies to the amount of a subsidized loan that is declined or cancelled. Under the 2019 DOB Notice, the amount of a subsidized loan that is declined or cancelled is not a DOB for CDBG-DR grants.

While a subsidized loan may separately qualify under the exception described in 2.2 below, the declined or cancelled loan exception only applies if the CDBG-DR grantee can document that all, or a portion, of the subsidized loan is cancelled or declined.

- **Declined Loans** are loan amounts that were approved or offered by a lender in response to a loan application, but were turned down by the applicant, meaning the applicant never signed loan documents to receive the loan proceeds. A grantee is only required to document declined loans if the grantee is aware that the applicant received an offer for subsidized loan assistance and cannot ascertain that the applicant declined the loan. In this instance, the grantee must obtain a written certification from the applicant that the applicant did not accept the subsidized loan by signing loan documents and did not receive the loan.
- **Cancelled Loans** are loans (or portions of loans) that were initially accepted (loan documents were signed), but for a variety of reasons, all or a portion of the loan amount was not disbursed and is no longer available to the applicant. The cancelled loan amount is the amount that is no longer available. To exclude the cancelled loan amount from the DOB calculation, the grantee must have one of the following in its files: 1) a written communication from the lender that the loan has been cancelled and undisbursed amounts are no longer available; **OR** 2) a legally binding agreement between the grantee (or



subrecipient) and applicant that the loan is no longer available, and the applicant agrees not to reinstate the loan or draw additional funds.

*NOTE: Under the 2019 DOB Notice, CDBG-DR grantees receiving CDBG-DR funds for 2015 - 2021 disasters shall not treat declined subsidized loans, including declined SBA loans, as a DOB. If a grantee's action plan or policies and procedures treat declined loans as a DOB, the grantee must update its policies and procedures and must update its action plan as needed to eliminate inconsistencies with this prohibition and to reflect any resulting changes in benefits to program participants. Grantees are not prohibited from considering declined subsidized loans for other reasons, such as underwriting.*

*Further, grantees subject to the 2019 DOB Notice, including grantees receiving CDBG-DR funds for 2016 disasters, do not have to comply or follow HUD's July 25, 2013 memorandum "HUD Guidance on Duplication of Benefits Requirements and Provision of CDBG Disaster Recovery (DR) Assistance," because the memorandum is superseded by the 2019 DOB Notice and DOB Implementation Notice.*

## **2.2. Exceptions for Subsidized Loans Provided by the Disaster Recovery Reform Act of 2018 (DRRA):**

The third exception for subsidized loans is provided by the DRRA, which temporarily amends the Stafford Act (the "**DRRA exception**"). For CDBG-DR grants awarded in response to a major disaster or emergency declared between January 1, 2016 through December 31, 2021 ("**DRRA Qualifying Disaster**"), a subsidized loan is not a prohibited duplication of benefits, provided that all Federal assistance is used towards a loss suffered as a result of a major disaster or emergency.

This means that when the conditions of DRRA and related provisions of the 2019 DOB Notice are met, a grantee is not required to treat a subsidized loan as a duplication of benefits. However, a grantee may adopt DOB policies and procedures that are more restrictive than the DRRA amendments to section 312 of the Stafford Act as appropriate to meet disaster-related needs, including reducing the amount of CDBG-DR assistance by the amount of a subsidized loan.

*NOTE: The DRRA exception ends on October 5, 2023. After that date, this exception no longer applies.*

Although other requirements in the 2019 DOB Notice apply to grants for disasters declared in 2015, the DRRA exception does not. Grantees shall continue to treat subsidized loans accepted in response to disasters declared in 2015 as a DOB unless another exception (e.g., the treatment of declined subsidized loans in the 2019 DOB Notice) applies.

The implications of the DRRA exception depend on whether the subsidized loan is disbursed.

- **Disbursed loan amounts** are not a DOB if all loan amounts are used towards a loss suffered as a result of a major disaster or emergency, but they are not automatically eligible for repayment with CDBG-DR funds. Loan repayment is not an eligible CDBG-DR activity. However, some costs paid with disbursed loan amounts may be reimbursable, subject to reimbursement requirements that apply to the grant. The CDBG-DR grantee can work with HUD to make this determination in alignment with the requirements on reimbursement of costs paid with subsidized loans in section V.B.3 of the 2019 DOB Notice.
  - **Undisbursed loan amounts** (which may be all or part of the accepted loan) are not a DOB when certain conditions are met. If the grantee provides additional CDBG-DR assistance based on a DOB analysis excluding accepted but undisbursed loan amounts from total assistance, a grantee must notify the lender and obtain the applicant's written agreement not to make additional draws from the subsidized loan without the grantee's approval. The grantee must review and approve any subsequent draws to determine that all Federal assistance is used towards a loss resulting from the DRRA Qualifying Disasters. Any subsidized loan amounts that are not used towards a loss resulting from the DRRA qualifying disasters are a DOB.
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### 3. DOB IMPLEMENTATION NOTICE OVERVIEW (APPLIES TO GRANTS FOR DISASTERS OCCURRING IN 2015, 2016, AND 2017)

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The DOB Implementation Notice, as amended by the OMNI Notice at 85 FR 60823, prospectively imposes the requirements for the treatment of declined subsidized loans in the 2019 DOB Notice (section V.B.2.(ii) under the heading *Declined SBA Loans*) on all grantees with CDBG-DR grants made in response to major disasters occurring in 2015, 2016, and 2017. Therefore, all payments after June 25, 2019, made under programs and activities for CDBG-DR grants must apply the requirements for the treatment of declined subsidized loans in the 2019 DOB Notice (i.e., as discussed on page 2).

The DOB Implementation Notice also imposes the DRRA and related provisions of the 2019 DOB Notice (section V.B.2.(iii)) on all grantees with CDBG-DR grants made in response to major disasters occurring in 2016 and 2017. This means that when the conditions of DRRA and related provisions of the 2019 DOB Notice are met, a grantee is not required to treat a subsidized loan as a duplication of benefits. As discussed on page 2, changes in the treatment of loans may require an update to the action plan or policies and procedures.

In addition, the DOB Implementation Notice imposes the requirements of the 2019 DOB Notice (other than the provisions related to the treatment of declined subsidized loans and DRRA which apply as described above) on CDBG-DR grants awarded for disasters occurring in 2015, 2016, and 2017 on:

1. New programs and activities added to an action plan after June 25, 2019;

**OR**

2. Existing programs and activities in an action plan before June 25, 2019 when the grantee chooses to amend its action plan or policies and procedures to change the treatment of loans in accordance with the 2019 DOB Notice for those existing programs/activities. The 2019 DOB Notice applies to the extent that the action plan or policies and procedures are amended.

*NOTE: CDBG-DR grants awarded after June 25, 2019, but before December 31, 2021, are subject to the 2019 DOB Notice.*

#### 3.1. Procedural Overview:

##### Overview of Procedures for 2015, 2016, and 2017 Disasters

Grantees that received awards for 2015, 2016, and 2017 disasters submitted action plans and policies and procedures before HUD published the 2019 DOB Notice and DOB Implementation Notice. In the OMNI Notice at 85 FR 60823, HUD amended the DOB Implementation Notice to broaden the applicability of the 2019 DOB Notice to include existing programs and activities, to

the extent that the grantee amends its action plan or its policies and procedures to change the treatment of loans in accordance with the 2019 DOB Notice. Originally, only changes to action plans were covered in the notice. HUD subsequently made a change (notice amendment) to include changes to policies and procedures because not all grantees' action plans describe the treatment of loans. As discussed on page 2 and in this section, in some cases, amending policies and procedures or action plan is required.

Tables 1, 2, and 3 demonstrate when either the 2011 DOB Notice or the 2019 DOB Notice applies to activities funded by grants awarded for disasters occurring in 2015, 2016, or 2017. The graphics in Table 1, 2, and 3 are expanded on in section 3.1.1 and 3.1.2 below.

**Table 1: Treatment of Declined Loans for Programs and Activities Existing in an Action Plan Prior to June 25, 2019 (2015, 2016, 2017 CDBG-DR Grants)**

Grantee's Actions for Declined Loans	2011 DOB Notice Treatment of SBA Loans (Section VI.B)	2019 DOB Notice Treatment of Declined SBA Loans (Section V.B.2)
Grantee's policy does not treat declined loans as a DOB, so the grantee decides to keep existing DOB analysis for the program or activity. No modifications are needed.	✓	✗
Grantee's policy treats a declined subsidized loan as a DOB. The grantee must update policies and procedures and/or the action plan for payments made after June 25, 2019 to comply with statutory requirements on declined loans.	✗	✓

**Table 2: Optional Actions – Adopting DRRA for Programs and Activities Existing in an Action Plan Prior to June 25, 2019 (2016 and 2017 CDBG-DR Grants)**

Grantee's Actions	2011 DOB Notice	2019 DOB Notice (for all activities that are modified – unmodified activities continue to be subject to the 2011 notice)
If the grantee chooses to modify its treatment of loans in accordance with the DRRA and related provisions of the 2019 DOB Notice for existing activities, it must update its	✗	✓

Grantee's Actions	2011 DOB Notice	2019 DOB Notice (for all activities that are modified – unmodified activities continue to be subject to the 2011 notice)
action plan and/or policies and procedures for all activities that were modified.		

**Table 3: DOB Implementation Notice for New Programs and Activities in an Action Plan on or After June 25, 2019 (2015-2021 CDBG-DR Grants)**

Grantee's Actions	2011 DOB Notice	2019 DOB Notice
Any programs or activities that are added in an action plan on or after June 25, 2019 must follow the 2019 DOB Notice.	✗	✓

### 3.1.1. 2015 Disaster Grantees:

For grantees with a 2015 CDBG-DR award, the DOB Implementation Notice amends the *Federal Register* notice published on June 27, 2016, at 81 FR 39687 (as amended by 82 FR 86812) to make several changes. It requires 2015 grantees to adhere to the tenth proviso following the Community Development Fund heading of Public Law 115–123 (Declined Loans Provision) and the requirements for its implementation in the 2019 DOB Notice (i.e. the treatment of declined subsidized loans in the 2019 DOB Notice) for all payments made under all programs and activities (both new and existing) with CDBG-DR funds after June 25, 2019.

The 2019 DOB Notice states that CDBG–DR grantees shall not treat declined subsidized loans, including declined SBA loans, as a DOB. If a grantee’s DOB policies and procedures treat declined subsidized loans as a DOB, the grantee must update its policies and procedures.

The DOB Implementation Notice requires 2015 disaster grantees to apply the 2019 DOB Notice for any new programs or activities submitted to HUD in an action plan or action plan amendment on or after June 25, 2019 (the effective date of the 2019 DOB Notice and DOB Implementation Notice). The DOB Implementation Notice also provides that the 2011 DOB Notice will continue to apply to existing activities included in an action plan for disaster recovery before June 25, 2019, except to the extent that the grantee amends its action plan or policies and procedures to apply the requirements in the 2019 DOB Notice.

The DRRA amendments to the Stafford Act do not apply to 2015 disasters. Therefore, grantees receiving funds for a 2015 disaster cannot reimburse costs paid with subsidized loan funds.

There are requirements that a 2015 CDBG-DR grantee **MUST** follow and then some choices to make when it comes to other provisions and their required timing:

Specifically, grantees must follow this provision:

- **For all payments made after June 25, 2019**, the grantee must comply with requirements for the treatment of declined subsidized loans in the 2019 DOB Notice and update its action plan and/or policies and procedures to reflect that treatment (see discussion of amendments to action plans and policies and procedures on page 2).
- **For new programs and activities added to its action plan on or after June 25, 2019**, the grantee must comply with all requirements in the 2019 DOB Notice.

For existing programs and activities in its action plan as of June 25, 2019, grantees have choices to make:

- **For existing programs and activities in its action plan as of June 25, 2019**, the grantee may choose to apply the treatment of loans in the 2019 DOB Notice (other than the treatment of subsidized loans mentioned above, which is a requirements) by updating its action plan and/or policies and procedures. If the grantee chooses not to change its treatment of loans, no updates are necessary for existing programs and activities.

**If the grantee updates its policies and procedures to conform to the requirements of the DOB implementation Notice and the 2019 DOB Notice**, the grantee must resubmit its policies and procedures to HUD for review. The grantee must amend or update policies and procedures that HUD determines are inadequate. Table 4 illustrates the steps a 2015 grantee should consider when applying the 2019 DOB Notice and DOB Implementation Notice.

**Table 4: Decisions for a 2015 Disaster Grantee Applying the 2019 DOB Notice and DOB Implementation Notice**

Decisions for a 2015 Grantee	
<b>Decision 1:</b> The grantee reviews the current action plan and policies and procedures for existing activities or programs in an action plan (before June 25, 2019) to comply with the requirements for the treatment of declined subsidized loans in the 2019 DOB Notice.	
<ul style="list-style-type: none"> <li>• If the action plan and/or policies and procedures are consistent with the treatment of declined subsidized loans in the 2019 DOB Notice, no action is necessary for this step.</li> <li>• If the action plan and/or policies and procedures are inconsistent with the treatment of declined subsidized loans in the 2019 DOB Notice, the grantee must update its action plan and/or policies and procedures and submit its revisions to HUD. For action plan amendments, grantee must comply with relevant citizen participation requirements.</li> </ul>	
<b>Decision 2:</b> If the grantee adds a new program or activity in its action plan on or after June 25, 2019, the 2019 DOB Notice applies to the new program or activity.	
<ul style="list-style-type: none"> <li>• The grantee must comply with relevant citizen participation requirements regarding the addition of new programs and activities.</li> </ul>	

- The grantee must update its action plan and/or policies and procedures for the new program or activity, as needed, to comply with all requirements in the 2019 DOB Notice (except DRRA exception).

**Optional Decision 3:** The grantee decides to change its DOB policies and procedures to change the treatment of loans in accordance with requirements in the 2019 DOB Notice for existing programs and activities in its action plan (before June 25, 2019). For 2015 disasters, grantees can change their treatment of cancelled loans to reflect the requirements of the 2019 DOB Notice (but not the DRRA loan exception which is not applicable for 2015 disasters).

- The grantee decides to what extent it will apply the requirements of the 2019 DOB Notice to its existing programs and activities. For example, for the treatment of cancelled loans, a grantee may determine whether:
  - it will apply the cancelled loans provisions of the 2019 DOB Notice prospectively to only change the requirements for future DOB calculations; or,
  - it will change future DOB calculations *and* reevaluate previous awards to provide additional assistance to past applicants where a cancelled loan resulted in a DOB and reduced an applicant's CDBG-DR award;
- The grantee complies with relevant citizen participation requirements, as needed, regarding program and activity modifications.
- The grantee updates its action plan and/or policies and procedures, as needed, to reflect any modification(s) and submits these revisions to HUD.

### 3.1.2 2016 and 2017 Disaster Grantees:

For grantees with a 2016 or 2017 CDBG-DR award, the DOB Implementation Notice amends *Federal Register* notices published on November 21, 2016 at 81 FR 83254 (as amended by 82 FR 5591 and 82 FR 36812) and December 27, 2017 at 82 FR 61320 (as amended by 83 FR 5844 and 83 FR 40314) to make several changes. It requires 2016 and 2017 disaster grantees to adhere to the tenth proviso following the Community Development Fund heading of Public Law 115–123 (Declined Loans Provision) and the requirements for its implementation in the 2019 DOB Notice (i.e. the treatment of declined subsidized loans in section V.B.2.(ii) under the heading *Declined SBA Loans* in the 2019 DOB Notice) for all payments made under all programs and activities (both new and existing) with CDBG-DR funds after June 25, 2019.

In addition to the treatment of declined subsidized loans in the 2019 DOB Notice, CDBG-DR grants made in response to 2016 and 2017 disasters are also subject to the duplication of benefits provision in section 312 of the Stafford Act, as amended by section 1210 of the Disaster Recovery Reform Act of 2018 (DRRA) (division D of Pub. L. 115–254), and the related provisions of the 2019 DOB Notice (section V.B.2.(iii) of the 2019 DOB Notice). As discussed on page 2, when the conditions of DRRA and related provisions of the 2019 DOB Notice are met, a grantee is not required to treat a subsidized loan as a DOB and it must comply with related provisions in the 2019 DOB Notice.

Grantees that change the treatment of loans for an activity to reflect the 2019 DOB Notice must update corresponding policies and procedures and amend the action plan to reflect any resulting



changes in benefits to program participants or to correct any resulting inconsistencies with duplication of benefits policies described in the action plan. However, a grantee may adopt or maintain DOB policies and procedures that are more restrictive than the DRRA amendments to section 312 of the Stafford Act, including reducing the amount of CDBG-DR assistance by the amount of a subsidized loan for underwriting purposes.

The DOB Implementation Notice requires grantees to apply the 2019 DOB Notice for any new programs or activities submitted to HUD in an action plan or action plan amendment on or after June 25, 2019 (the effective date of the DOB Implementation Notice).

Except for the treatment of declined subsidized loans and the DRRA and its related provisions in the 2019 DOB Notice, the 2011 DOB Notice will continue to apply to programs and activities included in an action plan for disaster recovery before June 25, 2019, to the extent that the grantee has not changed its treatment of loans for those programs/activities.

There are requirements a 2016 and 2017 CDBG-DR grantee **MUST** follow and then some choices to make when it comes to other provisions and their required timing:

Specifically, grantees must follow this provision:

- **For all payments made after June 25, 2019**, the grantee must comply with requirements for the treatment of declined subsidized loans in the 2019 DOB Notice, and update action plan and policies and procedures, if necessary, to comply.
- **For new programs and activities added to its action plan on or after June 25, 2019**, the grantee must comply with requirements of the 2019 DOB Notice.

For existing programs and activities in its action plan as of June 25, 2019, grantees have choices to make:

- **For existing programs and activities in its action plan before June 25, 2019**, the grantee may choose to apply the treatment of loans in the 2019 DOB Notice (other than the treatment of subsidized loans mentioned above, which are the requirements) by updating its action plan and/or its policies and procedures. A grantee is not required to treat a subsidized loan as a duplication of benefits when the conditions of the DRRA are met. However, if the grantee does change its treatment of loans to reflect the DRRA provisions, it must comply with related provisions in the 2019 DOB Notice.
- **If the grantee changed its treatment of loans in accordance with the 2019 DOB notice DRRA provisions and it will use 2016 or 2017 CDBG-DR funds to reimburse costs paid with subsidized loans for any program or activity**, the grantee must adhere to related requirements in the 2019 DOB Notice and the DOB Implementation Notice.

**If the grantee updates its policies and procedures or action plan to conform to the requirements of the DOB implementation Notice and the 2019 DOB Notice**, the grantee must resubmit its policies and procedures or action plan to HUD. The grantee must amend or update

policies and procedures that HUD determines are inadequate. For action plan amendments, grantee must comply with relevant citizen participation requirements. Table 5 illustrates the steps a 2016 or 2017 grantee should consider when applying the 2019 DOB Notice and DOB Implementation Notice.

**Table 5: Decisions for a 2016 or 2017 Disaster Grantee Applying the 2019 DOB Notice and DOB Implementation Notice**

Decisions for a 2016 or 2017 Grantee
<p><b>Decision 1:</b> The grantee reviews the current action plan and policies and procedures for existing activities or programs in an action plan (before June 25, 2019) to determine if they comply with the requirements for the treatment of declined subsidized loans in the 2019 DOB Notice.</p>
<ul style="list-style-type: none"> <li>• If the action plan and/or policies and procedures are consistent with the treatment of declined subsidized loans in the 2019 DOB Notice, no action is necessary for this step.</li> <li>• If the action plan and/or policies and procedures are inconsistent with the treatment of declined subsidized loans in the 2019 DOB Notice, the grantee must update its action plan and/or policies and procedures and submit its revisions to HUD. For action plan amendments, grantee must comply with relevant citizen participation requirements.</li> </ul>
<p><b>Decision 2:</b> If the grantee adds a new program or activity in its action plan on or after June 25, 2019, the grantee applies the 2019 DOB Notice.</p>
<ul style="list-style-type: none"> <li>• The grantee updates its action plan and/or policies and procedures, as needed, to comply with the 2019 DOB Notice for all new programs and activities.</li> <li>• Grantee complies with relevant citizen participation requirements regarding the addition of new programs and activities.</li> </ul>
<p><b>Optional Decision 3:</b> The grantee decides to change its DOB policies and procedures reflect the treatment of loans in the 2019 DOB Notice for existing programs and activities included in its action plan before June 25, 2019. Except for the treatment of declined subsidized loans described in step 1, if the grantee decides not to impose the treatment of loans in the 2019 DOB Notice to existing activities and programs, it may continue to apply the 2011 DOB Notice for existing programs and activities in its action plan before June 25, 2019. A grantee may adopt or maintain DOB policies and procedures that are more restrictive than the DRRRA amendments for loans.</p>
<ul style="list-style-type: none"> <li>• The grantee decides to what extent, if any, it will apply the requirements of the 2019 DOB Notices (e.g., cancelled loan and DRRRA exceptions for subsidized loans) to its existing programs and activities. For example, a grantee may determine whether, for some or all existing activities: <ul style="list-style-type: none"> <li>○ it will change DOB calculations prospectively; or</li> <li>○ it will change DOB calculations prospectively <i>and</i> reevaluate previous awards to provide additional assistance to past applicants where a subsidized loan resulted in a DOB and reduced an applicant’s CDBG-DR assistance; or</li> <li>○ it will reimburse costs paid with subsidized loans in accordance with 2019 DOB notice requirements.</li> </ul> </li> <li>• The grantee complies with relevant citizen participation plan requirements, as needed, regarding program and activity modifications.</li> <li>• The grantee updates its action plan and/or policies and procedures, as needed, to reflect the modification(s) and submits these revisions to HUD.</li> </ul>

### 3.2. Updates to Certification Submission for 2015 – 2017 Disaster Grantees:

If a grantee must update its DOB policies and procedures to comply with the 2019 DOB Notice, a grantee must update its certification submission by:

- Completing Addendum B, part A (2015 Disaster Award) or B (2016 or 2017 Disaster Award), and
- Submitting the revised supporting documentation and updated policies and procedures, when applicable.

The Department will then verify that all changes to the certification submission are made in response to the treatment of declined subsidized loans and/or the DRRRA and its related provisions in the 2019 DOB Notice. If the Department identifies any deficiencies in the submission, the grantee will need to address the deficiencies to finalize its certification updates. The grantee will be monitored for compliance with the 2019 DOB Notice and HUD requirements related to adequate DOB policies and procedures.

The Certification Addendum can be found on HUD's website at:

[https://www.hud.gov/program\\_offices/comm\\_planning/cdbg-dr/regulations](https://www.hud.gov/program_offices/comm_planning/cdbg-dr/regulations).

The completed addendum must be submitted to the disaster recovery email address at [Disaster\\_Recovery@hud.gov](mailto:Disaster_Recovery@hud.gov) and the applicable grant manager.

### 3.3. Additional Considerations When Updating DOB Policies and Procedures:

In general, a grantee's DOB policies and procedures are adequate if they follow the basic requirements outlined in section 1. For a grantee updating policies and procedures to reflect treatment of loans in the 2019 DOB Notice, the grantee should clearly identify in its action plan and/or policies and procedures when it will begin applying the new treatment of loans to applicants and activities that may currently be in the grantee's pipeline for a CDBG-DR award.

For example, a grantee estimates an applicant's total need to rehabilitate a home damaged by a 2017 disaster is \$50,000. The homeowner is LMI and received \$25,000 in SBA loan proceeds to complete partial rehabilitation. The \$25,000 was initially considered a DOB (same purpose, same eligible CDBG-DR activity), reducing the total CDBG-DR award. Based on the first DOB calculation made before June 25, 2019, the homeowner would only have been eligible for \$25,000 in CDBG-DR assistance and was not eligible to be reimbursed for any costs paid with SBA loan proceeds.

This grantee has decided to apply the new rules of the 2019 DOB notice to all applicants that have not received a final award determination by June 25, 2019, and the applicant in this example falls into this category. The grantee has amended its action plan and followed the steps necessary to reimburse costs paid with subsidized loans.

The grantee can then “update” the applicant’s original DOB analysis to apply the DRRRA exception if the homeowner can document that the SBA loan proceeds were used for a disaster-related loss in response to the 2017 disaster. If documentation proves the applicant used its SBA loan for a “loss suffered as a result of a major disaster,” the SBA loan will not be counted as a DOB. The grantee may therefore increase the potential CDBG-DR award to the applicant to \$50,000. Whether the applicant will receive \$50,000 or \$25,000 depends on whether the grantee’s CDBG-DR activity permits reimbursement.

- If reimbursement is impermissible, the CDBG-DR grant funds can only be used to pay for work that is incomplete (i.e., \$25,000).
- If reimbursement is permissible, the grantee could determine that the applicant used \$25,000 from the SBA loan for partial rehabilitation to address the initial disaster damage of \$50,000, and that the rehabilitation costs paid for by the SBA loan comply with CDBG-DR requirements. The grantee could then use CDBG-DR funds to reimburse the applicant for eligible rehabilitation costs paid with the \$25,000 in SBA loan proceeds.

The original and revised DOB analysis in this example is included below in Table 6.

**Table 6: Example Applying DRRRA Provisions**

Original DOB Analysis		Revised DOB Analysis Applying DRRRA (when grantee’s program permits reimbursement)	
<b>1. Identify the total need</b>		<b>1. Identify the total need</b>	
Rehabilitation costs	\$50,000	<i>The need stays the same. When reimbursement is permitted by the CDBG-DR grant requirements, need can include amounts needed for reimbursement of eligible costs.</i>	\$50,000
<b>2. Identify total Assistance available</b>		<b>2. Identify total Assistance available</b>	
SBA loan used for its eligible purpose and the same purpose as the CDBG-DR allowable activity	\$25,000	<i>SBA loans are not “assistance” because the DRRRA exception applies (all loan funds used for disaster-related loss)</i>	\$0
<b>3. Exclude non-duplicative items</b>		<b>3. Exclude non-duplicative items</b>	
N/A	\$0	N/A	\$0
<b>4. Identify the total DOB</b>		<b>4. Identify the total DOB</b>	
Prior to June 25, 2019, the loan was treated as a duplication because the	\$25,000	N/A	\$0

grantee could not apply  
 DRRRA exceptions.

<b>5. Calculate the maximum award</b>		<b>5. Calculate the maximum award</b>	
The rehabilitation cost minus the identified DOB	\$25,000	The grantee can reimburse the \$25,000 for CDBG-DR eligible rehabilitation costs and provide \$25,000 for remaining rehabilitation costs.	\$50,000
<b>6. Apply the program cap.</b>		<b>6. Apply the program cap.</b>	
Max award is less than program cap of \$100,000	\$100,000	Max award is less than program cap of \$100,000	\$100,000
<b>7. The final CDBG-DR award</b>		<b>7. The final CDBG-DR award</b>	
	<b>\$25,000</b>		<b>\$50,000</b>

#### 4. 2018 TO 2021 DISASTER GRANTEES:

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The Department published the following *Federal Register* notices:

- 85 FR 4681<sup>3</sup> on January 27, 2020;
- 86 FR 561 on January 6, 2021;
- 86 FR 569 on January 6, 2021;
- 87 FR 6364 on February 3, 2022; and
- 87 FR 31636 on May 24, 2022.

The notices listed above were published after the applicability date of the 2019 DOB Notice. Each notice directs grantees to submit policies and procedures in accordance with the 2019 DOB Notice. To be adequate, a grantee's policies and procedures must reflect the requirements of the 2019 DOB Notice, including provisions related to declined subsidized loans and the DRRA (as discussed on page 2). The DOB Implementation Notice does not directly apply to CDBG-DR grants made in response to major disasters occurring in 2018 through 2021 (although applicable *Federal Register* notices may subject the grantees to the requirements of February 9, 2018, and August 14, 2018, notices *Federal Register* notices, as amended by the DOB Implementation Notice).

The notices above describe how grantees receiving 2018 through 2021 disaster grants must develop their DOB policies and procedures in accordance with the 2019 DOB Notice. The notice requires grantees to submit their policies and procedures and certification of adequate and proficient procedures to support a certification by the Secretary of HUD that the grantee has adequate policies and procedures. Grantees will not receive their grant until the Secretary has made this certification. A grantee can refer to the Appendix for a process map which highlights each of the steps necessary to comply with the 2019 DOB Notice.

##### Overview of Procedures for Disasters Occurring in 2018 through 2021

Each notice (85 FR 4681, 86 FR 561, 86 FR 569, 87 FR 6364, and 87 FR 31636) requires that a grantee's policies and procedures must provide that prior to the award of assistance, the grantee will use the best, most recent available data from FEMA, SBA, insurers, and any other sources of local, State and Federal sources of funding to prevent a DOB. In developing these policies and procedures, grantees are directed to the 2019 DOB Notice (84 FR 28836). To be adequate, a grantee's policies and procedures must reflect the requirements of the 2019 DOB Notice, including requirements related to the treatment of loans under the DRRA and treatment of declined subsidized loans.

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<sup>3</sup> An additional Federal Register notice was published on February 21, 2020 at 85 FR 10182 to provide a correction to Table 1 in 85 FR 4681 on pg. 4683.



## 5. REIMBURSEMENT OF ELIGIBLE COSTS PAID FOR BY SUBSIDIZED LOANS

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Generally, CDBG-DR grant funds are available only to pay for new activities. However, most *Federal Register* notices published by the Department permit payment of costs dating back to the date of the disaster that led to the CDBG-DR grant award. Reimbursement, in these cases, is subject to the requirements of the 2019 DOB Notice (if reimbursing costs paid by a subsidized loan, which is only allowed for DRRA qualifying disasters for reimbursements made before the DRRA sunsets), the applicable *Federal Register* notice(s) governing the funds, and CPD Notice 2015–07.

### 5.1 Amendments to CPD Notice 2015-07

CPD Notice 2015-07, “Guidance for Charging Pre-Application Costs of Homeowners, Businesses, and Other Qualifying Entities to CDBG Disaster Recovery Grants,” permits CDBG-DR grantees to charge to grants the pre-application costs of homeowners, businesses, and other qualifying entities for eligible costs they have incurred within one year after the date of the disaster and before the date on which the person or entity applies for CDBG-DR assistance. More information on the general requirements for reimbursement can be found at <https://files.hudexchange.info/resources/documents/Notice-CPD-15-07-Guidance-for-Charging-Pre-Application-Costs.pdf>.

*NOTE: CPD Notice 2015-07 does not apply to CDBG-MIT funds. CDBG-MIT funds are provided to reduce risks from future disasters and cannot be used to reimburse homeowners, businesses, or entities (other than grantees, local governments, and subrecipients)(84 FR 45859).*

*CPD Notice 2015-07 also does not apply to grantee and subrecipient costs. Most CDBG-DR grants permit a grantee to reimburse allowable pre-award costs incurred by grantees and subrecipients (including local governments) on or after the incident date of the qualifying presidential disaster. Grantees should include these pre-award activities in its action plan (in some cases, inclusion in the action plan is required).*

The DOB Implementation Notice amends the CPD Notice 2015–07. When first published, CPD Notice 2015-07 only permitted reimbursement of certain costs incurred *before the date that an applicant applied for the CDBG-DR assistance and within one year of the disaster*.

The DOB Implementation Notice amended CPD Notice 2015-07 as follows:

- **For all 2016 and 2017 grantees:** the provision of CPD Notice 2015–07 that limits reimbursement to those costs incurred within one year of the disaster shall not apply to reimbursement of costs paid by a subsidized loan.

- **For 2016 and 2017 grantees that accepted applications for reimbursement of costs paid for by subsidized loans before June 25, 2019:** Grantees must amend their action plans before reimbursing costs paid with subsidized loans, including SBA loans. Once amended, the cutoff date for reimbursable costs paid for by subsidized loans changes. For existing applications, the grantee may reimburse costs incurred before the effective date of the grantee's action plan amendment that authorizes the reimbursement. For new applications received after the effective date of the action plan amendment, the grantee may reimburse costs incurred before the date that the new application is submitted (the reimbursement must comply with other requirements of the 2019 DOB Notice and CPD Notice 2015-07).

Accordingly, the second amendment to CPD Notice 2015-07 presents two possible scenarios when a 2016 or 2017 CDBG-DR grantee applies the 2019 DOB Notice's reimbursement provisions. These scenarios are listed below in Table 7.

**Table 7: Applying the CPD Notice 2015-07 Reimbursement Revisions to 2016 and 2017 Disaster Grants**

Scenario 1: Applications received before the effective date of the action plan amendment.	Scenario 2: Applications received after the effective date of the action plan amendment.
<ul style="list-style-type: none"> <li>• The date of application for reimbursement shall be the effective date of the action plan amendment that authorizes such reimbursement.</li> </ul> <p>This means that the grantee cannot reimburse any costs paid with the subsidized loan after the date that the effective date of the action plan amendment (unless the action plan provides otherwise; the effective date of the action plan amendment is the date HUD approves the action plan amendment).</p>	<ul style="list-style-type: none"> <li>• The date of application shall be the date the new application is submitted.</li> </ul> <p>This means that the grantee cannot reimburse any costs paid with the subsidized loan after the date that the applicant submits the application for CDBG-DR assistance.</p>

HUD only waived the provision of CPD Notice 2015-07 that limits reimbursement to those costs incurred within one year of the disaster for 2016 and 2017 disaster grantees. All other grantees are subject to the requirement in CPD Notice 2015-07 limiting reimbursement to those eligible costs an applicant incurred within one year after the date of the disaster and before the date on which the person or entity applies for CDBG-DR assistance.

## 5.2 Waivers and Alternative Requirements and Other Amendments to Federal Register Notices

The DOB Implementation Notice included the following waivers and alternative requirements for 2015, 2016, and 2017 grantees:

1. **Action Plan or Policy and Procedures Requirements:** Grantees' action plans or policies and procedures must be updated if they are inconsistent with the requirements of the DOB Implementation Notice, as amended, or if the grantee chooses to change its treatment of loans to reflect the 2019 DOB Notice, amended to the extent that the grantee changes its treatment of loans.
2. **Use Of CDBG-DR Funds to Reimburse Costs Paid with SBA Loan Funds:** HUD amended *Federal Register* notices applicable to 2016 and 2017 disaster grants to remove the prohibition on use of funds for payment of SBA home or business loans. Grantees may provide CDBG-DR assistance to homeowners and businesses for reimbursement of CDBG-DR eligible costs paid with subsidized loans in accordance with the 2019 DOB Notice (but are not required to do so). If grantees decide to reimburse homeowners and businesses for eligible costs paid with subsidized loans, homeowners and businesses may use the CDBG-DR reimbursement awards to pay down the subsidized loan.
3. **Payment of Interest:** When the grantee reimburses homeowners, businesses, or other entities for the costs of eligible rehabilitation, demolition, and reconstruction of single family, multifamily, and nonresidential buildings (including commercial properties) paid with subsidized loans, the grantee may also pay any outstanding interest due on the portion of the principal of the subsidized loan used to pay the eligible costs.
4. **Reporting:** 2016 and 2017 grantees that amend their action plans to permit use of CDBG-DR funds to reimburse subsidized loan costs must submit a report to HUD one year from the date of approval of the action plan amendment. The required reporting is described in the DOB Implementation notice.

*NOTE: CDBG-DR funds cannot be used to pay subsidized loan fees or the portion of interest attributable to activities that are ineligible for reimbursement.*

### 5.3 Requirements and Considerations for Reimbursing Costs Paid by Subsidized Loans:

A CDBG-DR grantee receiving funds for a DRRA Qualifying Disaster can reimburse CDBG-DR eligible costs paid by individuals and businesses with subsidized loan proceeds, if the grantee:

- Documents all reimbursed costs were used toward a loss suffered as a result of the major disaster or emergency and all reimbursed costs are eligible CDBG-DR activities.
- Only reimburses costs in accordance with CPD Notice 15-07 (and other requirements of applicable *Federal Register* notices, if any).
- Updates the DOB analysis (if already completed) to revise unmet needs and exclude subsidized loans for disaster losses from total assistance. Reimbursement is not permitted if payment of the cost with CDBG-DR funds will cause a DOB.
- Requires reimbursed applicants to comply with any requirements in the subsidized loan documents to repay outstanding principal and interest with reimbursement payments (and issue a joint check to SBA when reimbursing costs paid with SBA loans); and advises the

applicant to continue to make required payments on the subsidized loan until it is satisfied to avoid the consequences of default.

- Documents environmental compliance before issuing reimbursement payments.
- Informs the public of the proposed use of CDBG–DR funds for reimbursement of costs paid with subsidized loans through its citizen participation process.
- Follows the substantial action plan amendment process in the 2019 DOB Notice (i.e., in its action plan: updates housing needs assessment, identifies the number of eligible unserved households who applied for housing assistance; identifies how the grantee will meet remaining unmet housing needs).
- Preserves the primary mission of CDBG–DR funds to assist low- and moderate-income persons by maintaining a grantee’s requirement to use its CDBG–DR funds principally to benefit low- and moderate-income persons (i.e., reimburse LMI applicants before reimbursing applicants with incomes greater than 80% AMI and less than or equal to 120% AMI; reimbursements to applicants with incomes greater than 80% AMI shall not reduce the overall LMI benefit applicable to the grant; grantee shall only reimburse applicants with incomes greater than 120% AMI if HUD grants a hardship exception).

Grantees must document that the reimbursed cost was for an eligible CDBG-DR activity. As a reminder, grantees are prohibited from reimbursing costs that are not otherwise eligible for CDBG–DR assistance, such as compensation for personal property loss or late fees. Payment of interest is generally not eligible activity, unless permitted through a waiver. If permitted, grantees may pay interest due at the time of reimbursement for eligible activities (e.g., interest incurred by the applicant for the portion of an SBA loan used for a CDBG–DR eligible activity).

*NOTE: A grantee is not required to use its CDBG-DR grant funds to reimburse costs paid with subsidized loan proceeds and may design its eligibility criteria in accordance with the requirements in the 2019 DOB Notice to appropriately meet the needs within their most impacted and disaster areas.*

## APPENDIX: PROCESS MAP

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### PROCESS MAP KEY

**Existing Activity:** An activity or program that is in a grantee's approved action plan prior to June 25, 2019.

**New Activity:** A new program or activity added to an action plan after June 25, 2019 through a substantial amendment.

**Declined Loans:** Subsidized loan amounts that were approved or offered by a lender in response to a loan application, but were turned down by the applicant, meaning the applicant never signed loan documents to receive the loan proceeds.

**DRRA:** A loan (including a subsidized loan) is not a prohibited duplication of benefits, provided that all Federal assistance is used towards a loss suffered as a result of a major disaster or emergency.

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<sup>i</sup> CDBG-DR Policy Bulletins are guidance documents that lack the force and effect of law and are non-binding. These guidance documents are created by HUD staff, but do not create any new requirements. Through this guidance HUD seeks only to clarify existing requirements and provide best practices for grantees receiving CDBG-DR funds.

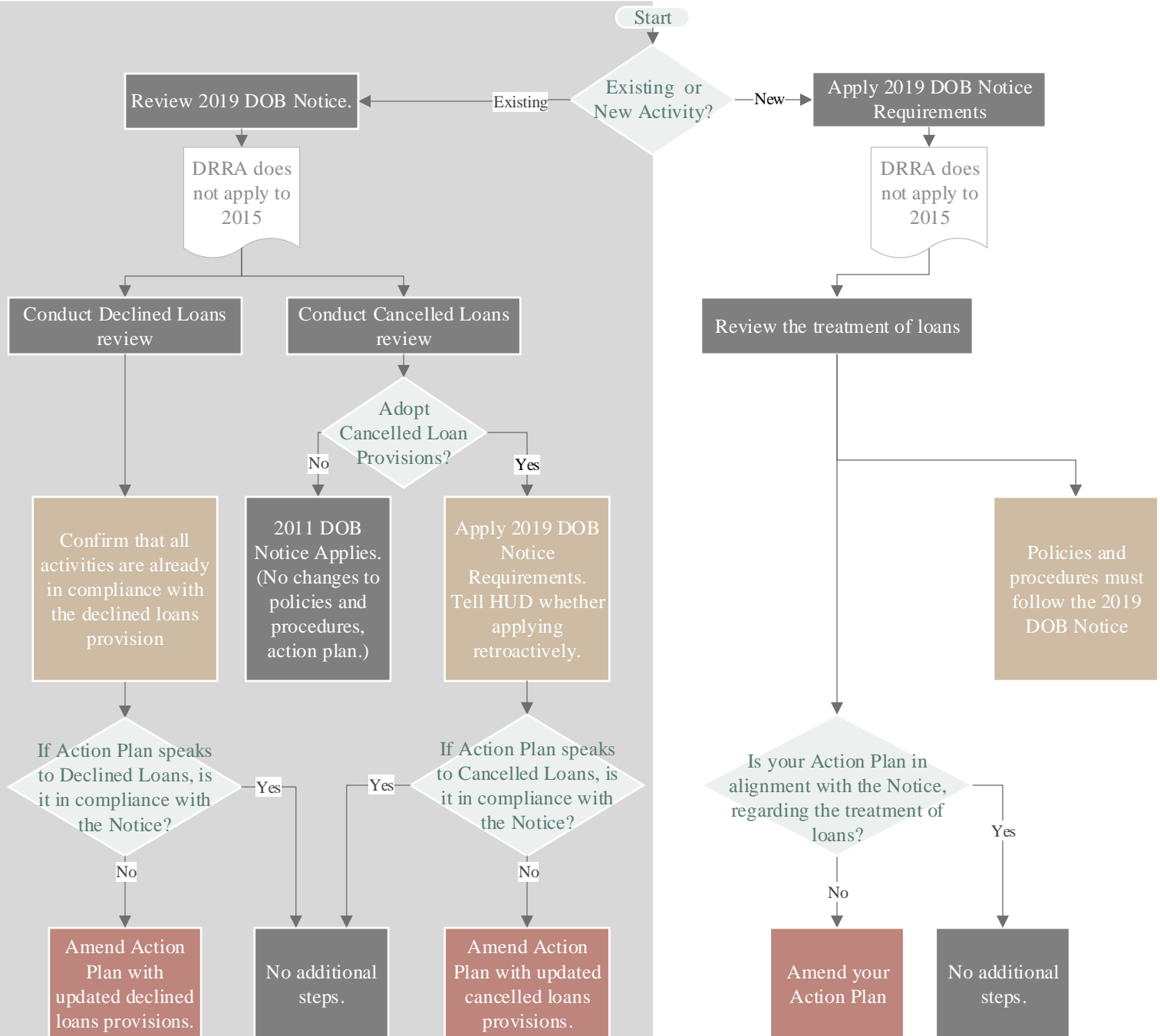
# 2015 Grantees

## Existing Programs & Activities

## New Programs & Activities

Gold: Changes to Policies and Procedures

Red: Changes to Action Plan



Amend your Action Plan with all changes.

Follow the Amendment Process

Amend/create your policies and procedures with all changes.

Fill out the Certification Addendum B, part A

Submit updated Policies and Procedures and supporting documentation

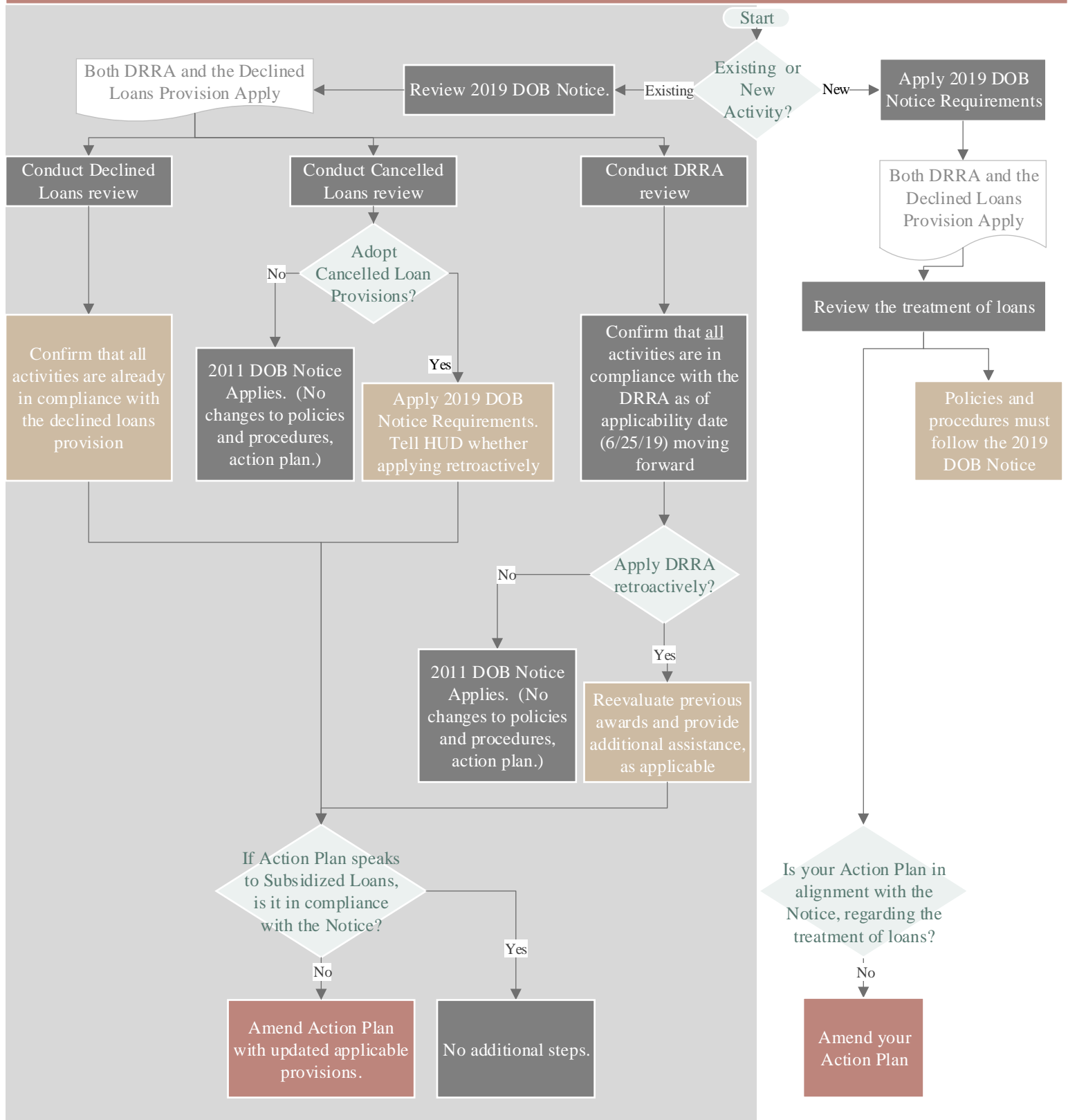
# 2016 & 2017 Grantees

## Existing Programs & Activities

## New Programs & Activities

Gold: Changes to Policies and Procedures

Red: Changes to Action Plan



Amend your Action Plan with all changes.

Follow the Amendment Process

Amend/create your policies and procedures with all changes.

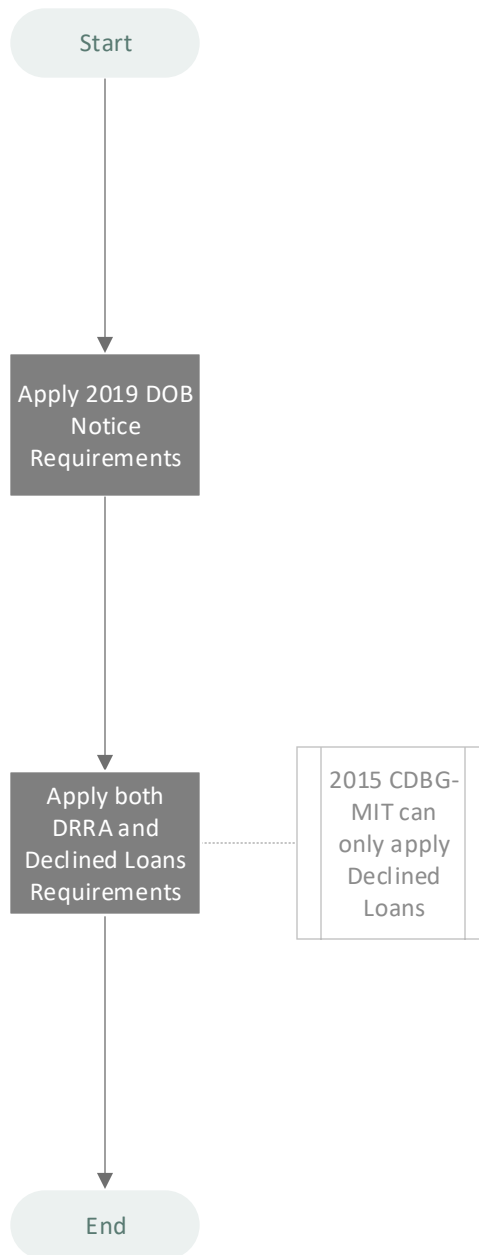
Fill out the Certification Addendum B, part B

Submit updated Policies and Procedures and supporting documentation



# 2018—2021 & MIT\* Grantees

## All Programs & Activities



### **\*CDBG-MIT Awards in response to major disasters that occurred in 2015-2017:**

If the grantee is leveraging the CDBG-MIT funds with an existing activity in its corresponding CDBG-DR Action Plan, the 2011 DOB Notice may apply. Those funds may continue to apply the 2011 DOB Notice.