

Using CDBG Funds for Security Deposits Etc.

January 16, 1990

Mr. Joe O. Hernandez
Assistant Director
County of Riverside
Economic/Community Development
Riverside, California 92502

Dear Mr. Hernandez:

Thank you for your letter regarding the Homeless Revolving Loan Fund in the County of Riverside. It is gratifying to learn that your community is working to end the tragedy of homelessness.

You requested a determination of whether using Community Development Block Grant (CDBG) funds for loans to families for first/last months' rent, security/utility deposits, and mortgage payments is eligible as a public service activity under the Block Grant regulations. The County does not view this activity as providing income payments to the families, as prohibited in section 570.207(b)(4).

Section 570.207(b)(4) has two effects on public service activities. First, it limits the scope of public service activities by making welfare-type, subsistence payments to individuals and families ineligible. Second, it prohibits payments to meet housing needs viewed as properly in the domain of the Department's housing programs.

The regulation is not construed to make one-time payments on behalf of individuals or families to meet an emergency need threatening homelessness ineligible. Thus, the Homeless Revolving Loan Fund may be used to make such payments in the form of first/last month's rent, security/utility deposits, and mortgage payments provided the funds are paid directly to landlords, utility providers, or lenders as a public service activity. The fact that the assistance is in the form of a loan rather than a grant does not affect the determination of eligibility.

In responding to your request, we realized that the regulations do not make these distinctions clearly. We intend to clarify the income payments regulation in the future. We are sending a copy of this letter to our Los Angeles Office.

Best wishes in your efforts to prevent homelessness.

Sincerely yours,

Anna Kondratas
Assistant Secretary