



**TEXAS GENERAL LAND OFFICE**  
GEORGE P. BUSH, COMMISSIONER

October 17, 2019

The Honorable Pete Olson  
U.S. House of Representatives  
2133 Rayburn  
Washington, DC 20515

Dear Representative Olson:

The Texas General Land Office (GLO) manages the disaster recovery programs according to Community Development Block Grant for Disaster Recovery (CDBG-DR) funding provided via the U.S. Department of Housing and Urban Development (HUD). We are dedicated to rebuilding Texas and helping Texans. As your letter references, the GLO created two programs to directly assist households affected by Hurricane Harvey: The Homeowner Assistance Program (HAP) and the Homeowner Reimbursement Program (HRP). These recovery programs seek to provide much needed assistance to Texans, yet it is well recognized that the CDBG-DR grant funding is not sufficient to address all recovery needs.

The Disaster Recovery Reform Act of 2018 (DRRA) (division D of Public Law 115-254) made changes to the rules for the administration of loans under the Stafford Act for disasters declared between January 1, 2016, and December 31, 2021. The key change provides that when certain conditions are met, Small Business Administration (SBA) loans are no longer a duplication of benefit (DOB) for a disaster victim. Although the legislation was passed by Congress and signed into law in October 2018, HUD did not release rules on how to apply the new changes to CDBG-DR programs – and specifically how to reimburse households for SBA expenditures – until June 2019, which was well after the housing funds for Hurricane Harvey were already committed to other programs.

The GLO does not deny CDBG-DR recovery assistance for unmet need to recipients of a SBA loan and has not done so even before the HUD guidance was released. The primary impact of the new guidance from June 2019 is upon applicants seeking reimbursement for loan proceeds drawn from SBA. For applicants that were approved for a loan but then closed their loan or were declined a loan, the approved funds are not a duplication of benefits and therefore do not affect an applicant's eligibility. This policy has been in place since the onset of the Hurricane Harvey recovery programs. The issue arises when an applicant drew down the SBA loan.

Currently, SBA has loaned more than \$2.9 billion to Texans affected by Hurricane Harvey. Even if CDBG-DR funds were available to reimburse SBA loans, the GLO would be required to meet program rules that limit SBA debt repayment first to households that are designated as Low to Moderate Income (LMI), unless HUD grants hardship exceptions on a case-by-case basis.

As to the specific questions asked in your letter, the GLO offers the following:

1. How many Texans were denied assistance from HAP and HRP due to GLO's interpretation of duplication of benefits?
  - a. HAP: No participants were denied assistance as a result of SBA funds drawn down.
  - b. HRP: 529 applicants have been determined to have ineligible reimbursements utilizing the current DOB calculation method.
  
2. What is GLO's timeline to amend and submit the Action Plan to HUD?
  - a. The Action Plan process with associated timeframes mandated by HUD would take at least 6 months to complete, which would require the current programs to be put on hold until the amendment could be approved. Additionally, there are no unobligated funds available to be used for this purpose.
  - b. The GLO is not planning to amend and submit an Action Plan amendment at this time as a result of the facts above.
  
3. What other challenges are you facing that make implementing this new guidance difficult?
  - a. HAP and HRP requests currently exceed available recovery funds, prior to any program change. Additional appropriations by Congress to these specific programs would need to be considered, especially if an amendment was approved.
  - b. The current amount of need for SBA repayment is estimated to be \$2.9 billion. Unfortunately, due to the strict LMI restrictions HUD included for use of these funds, only a very small portion of applicants with SBA loans would benefit from the rule changes.

Thank you for your service to Texas in Washington. Please contact me with any additional questions you may have.

Sincerely,



GEORGE P. BUSH

Commissioner, Texas General Land Office

cc: Members of Congress