MARY L. LANDRIEU
LOUISIANA

United States Senate

WASHINGTON, DC 20510–1804

October 31, 2006

The Honorable Kathleen Babineaux Blanco
Governor
State of Louisiana
Office of the Governor
P.O. Box 94004
Baton Rouge, Louisiana 70804

Dear Kathleen:

Thank you for your many efforts during this critical time in Louisiana's hurricane recovery. As you well know, the success of the Louisiana Recovery Authority (LRA) *Road Home* program is crucial to the redevelopment of our communities devastated by Hurricanes Katrina and Rita

It has come to my attention that many Louisiana homeowners are receiving *Road Home* grants, along with U.S. Small Business Administration (SBA) disaster home loans, and in some cases, are being required to use *Road Home* proceeds to pay off the SBA disaster home loans. These homeowners are extremely concerned that Federal regulations are impeding their efforts to rebuild their homes and return to their communities.

I understand that, under both the Small Business and Stafford Acts, hurricane victims are prohibited from receiving funds for disaster-related damages for which they have already been compensated (i.e. grants, loans, and insurance). So when implementing the Community Development Block Grant-funded *Road Home* program, the State of Louisiana cannot duplicate Federal assistance homeowners received from SBA or the Federal Emergency Management Agency (FEMA) for the same losses. Therefore, the LRA is required to notify SBA of applicants with SBA disaster home loans and to allow SBA to review the file for any "duplication of benefits." If there is a duplication, applicants are required to use *Road Home* proceeds to pay off disaster loans, however if there is no duplication, applicants are able to retain *Road Home* proceeds.

In an effort to provide additional clarification for residents on this issue, I have sent the enclosed letter to SBA Administrator Steven Preston. I expect a written response no later than November 6, 2006 and will be sure to provide you with any findings.

With warmest personal regards, I am

Sincerely,

Mary L. Landrieu
United States Senator

MLL:brv
Enclosure

MARY L. LANDRIEU
LOUISIANA

United States Senate

WASHINGTON, DC 20510–1804

October 31, 2006

The Honorable Steven C. Preston
Administrator
U.S. Small Business Administration
409 Third Street, SW
Washington, D.C. 20416

Dear Administrator Preston:

Let me take this opportunity to thank you again for meeting with me last week. I appreciate your taking the time to discuss ongoing small business needs in the Gulf Coast, U.S. Small Business Administration (SBA) efforts to improve its assistance to impacted homeowners and businesses, as well as our work together to implement substantive SBA Disaster reforms ahead of future disasters.

As we discussed, one very serious issue that many of my constituents have brought to my attention is where impacted homeowners receive both SBA disaster home loans and Louisiana Recovery Authority (LRA) *Road Home* grants. Under this scenario, some homeowners are being told by authorities that they must use *Road Home* grants to pay off SBA disaster home loans, which could prove to be a huge obstacle to rebuilding efforts. These homeowners are extremely concerned that Federal regulations are impeding their return to their communities.

Per my discussions with you, the Department of Housing and Urban Development (HUD) and the LRA, I understand that, under both the Small Business and Stafford Acts, hurricane victims are prohibited from receiving funds for disaster-related damages for which they have already been compensated (i.e. grants, loans, and insurance). When implementing the Community Development Block Grant-funded *Road Home* program, the State of Louisiana cannot duplicate Federal assistance homeowners received from SBA or the Federal Emergency Management Agency (FEMA) for the same losses. Therefore, the LRA is required to notify SBA of applicants with SBA disaster home loans and to allow SBA to review the file for any "duplication of benefits." If there is a duplication, applicants are required to use *Road Home* proceeds to pay off disaster loans, however if there is no duplication, applicants are able to retain *Road Home* proceeds.

To ensure every proper consideration is being provided to our impacted Louisiana homeowners and to clear up any confusion on this issue, I respectfully request that you provide me with a written response to the following common concerns (attached) that I have received from my constituents. As you know, the *Road Home* program is just starting and will begin receiving more applications in the coming days and weeks so I request a written response to this inquiry no later than November 6, 2006.

Thank you in advance for your assistance with this request.

Sincerely,

Mary L. Landrieu
United States Senator

MLL:brv
Enclosure

cc: The Honorable Kathleen Babineaux Blanco, Governor, State of Louisiana

Office of U.S. Senator Mary L. Landrieu

U.S. Small Business Administration Disaster Home Loans and Louisiana Recovery Authority Road Home Grants

Frequently Asked Questions
October 31, 2006

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1. Explain the duplication of benefits calculation and under which criteria, borrowers are required to use *Road Home* proceeds to pay off SBA disaster home loans.

    a. Describe under which circumstances, borrowers would not be required to use *Road Home* proceeds to pay off SBA disaster home loans.

    b. Provide information on which types of Federal funds and other types of financing which are considered a duplication of benefits.

    c. How long is it currently taking for the SBA to make a duplication of benefits determination and return the calculation to the Louisiana Recovery Authority?

2. Describe the process which occurs after the SBA determines there is a duplication of benefits on a *Road Home* application, including SBA's coordination with the Louisiana Recovery Authority.

3. Cite under which law/statute the SBA and Louisiana Recovery Authority is required to conduct this duplication of benefit calculation and provide our office with a copy of the Memorandum of Understanding between the SBA and State of Louisiana on duplication of benefits data exchange.

4. If the SBA determines a borrower to have a duplication of benefits and the borrower receives a reduction in *Road Home* grant proceeds, explain what options are available for the borrower to modify their SBA disaster home loan to cover any shortfall.

    a. What are the criteria that SBA considers in reviewing a loan modification request?

b. What are eligible reasons for requesting a loan modification?

c. How long after the loan approval do borrowers have to request a loan modification?

d. What documents does the borrower need to provide for a loan modification request and where should a borrower make their request?

e. What is the current time frame for SBA to process and approve a loan modification request?

f. Explain what SBA is currently doing to contact borrowers who require a loan modification as a result of the final *Road Home* grant award.

5. What are the criteria used to determine the amount of loss to a property in the original SBA loss verification inspection?

   a. Are damages to household contents, landscaping, or disaster mitigation needs included in the SBA verified loss?

      i. Are these damages covered under the SBA Real Property Disaster Loan or are there other sources of SBA financing to cover these damages?

   b. In determining duplication of benefits, does the SBA use the SBA verified loss or the LRA verified loss?

   c. What steps should borrowers take if they believe information was not included in the original SBA loss verification report, or if additional damages are noticed after the initial report?

6. On SBA disaster loans, are borrowers required to pay interest on the entire approved SBA disaster loan amount or just on the amount of the loan that has been disbursed?

   a. Is there a grace period under which borrowers are not required to make payments on the principal and interest on their disaster loan?

      i. If so, on what date/action does this grace period begin?