



# Understanding DOB and Resources to Assist Grantees

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# Presenters



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# Learning Objectives

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- Understand what duplication of benefits (DOB) requirements apply to CDBG-DR, CDBG-MIT, and CDBG-NDR grants
- Complete a basic DOB calculation
- Understand how to approach more complicated DOB problems, including treatment of loans and the sunset of the DRRA amendment
- Understand the consequences of failure to prevent or collect duplicative financial assistance

# Agenda

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- An overview of key concepts and the DOB framework
- A review of the treatment of loans and the sunset of the DRRA
- A DOB calculation using HUD's DOB Worksheet
- Resources
- Questions and Answers



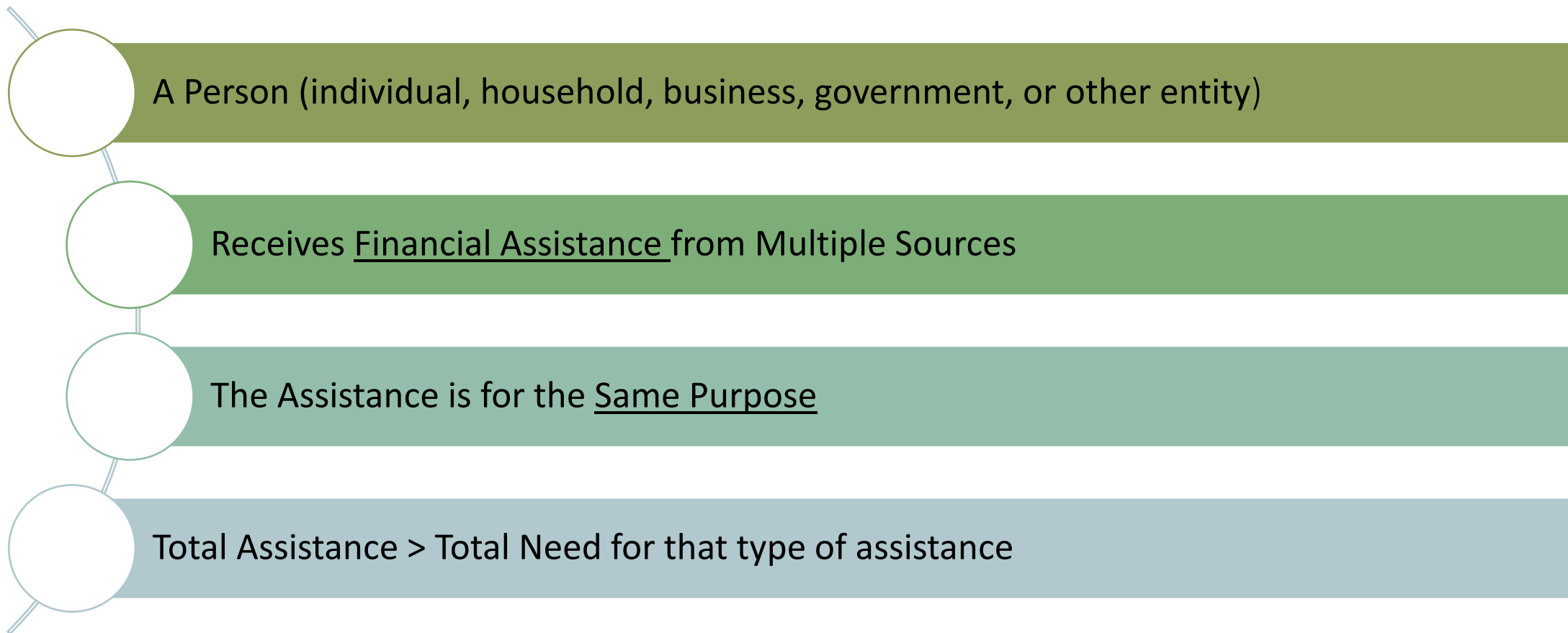
# Concept Overview

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# What is a Duplication of Benefits (DOB)?

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# Sources of DOB Requirements

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- Section 312 (42 U.S.C. 5155) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act.
- CDBG-DR Appropriations Acts and HUD Federal Register Notices.
- OMB Cost Principles (24 CFR part 570 and 2 CFR 200, subpart E).
- Grant Agreements/Subrecipient Agreements.

# DOB vs. Order of Assistance

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- Different (but related!) concepts.
- Generally statutory for CDBG-DR: Ex. “Provided further, That such funds may not be used for activities reimbursable by, or for which funds are made available by, the Federal Emergency Management Agency or the Army Corps of Engineers.”
- Just like DOB, emphasis on other “available” assistance.
- FEMA can impose a regulatory “delivery sequence” (44 C.F.R. 206.191) for a particular disaster.





# Framework

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# Basic DOB Calculation Framework

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Assess Applicant Need

Identify Total Assistance Available

Exclude Non-Duplicative Assistance

Identify the DOB Amount & Calculate Total Award (including Program Cap)

Reassess Unmet Need When Necessary

# Rehabilitation of a Business

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- Example: Mr. Luckless owns an electronics business in a building he owns on Main Street. The building was damaged by a tornado.
- Estimated cost to rehabilitate is \$150,000.
- Mr. Luckless receives \$85,000.
  - \$65,000 is from insurance.
  - \$20,000 is from the local Economic Development Authority.
    - \$10,000 was for rehabilitation.
    - \$10,000 was for assistance to operate from an interim location during the rehabilitation.

# Rehabilitation of a Business Continued

Step	Calculation
<b>Step 1:</b> Identify Applicant's Total Need Calculated at a Point in Time	\$150,000
<b>Step 2:</b> Identify Total Assistance Available	\$85,000
<b>Step 3:</b> Exclude Non-Duplicative Amounts (Amounts used for a different purpose, or same purpose, different allowable use)	(\$10,000)
<b>Step 4:</b>	
(a.) Identify Total DOB Amount (Total Assistance Minus Non-Duplicative Exclusions)	\$75,000
(b.) Calculate Maximum Award (Total Need Minus Total DOB Amount)	\$75,000
(c.) Program Cap (if applicable)	\$50,000
<b>Step 5:</b> Final Award (= Program Cap if Maximum Award > Program Cap)	\$50,000

# Infrastructure Example

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- Example: Grantee's capital improvement plan (CIP) includes redesign and upgrades to a riverside park that has an outdated playground and inadequate lighting. The upgrades were planned for 2024.
- A 2022 flood inundates the park, causing significant deterioration of the existing park.
- If local funds were previously designated for the park but are no longer available, the grantee should document that the government does not have funds set aside and modify its CIP **only if warranted** because post-disaster, revised need for capital improvements exceeds the originally planned use of funds (84 FR 28841).

# Infrastructure Example Continued

Steps to reevaluate CIP (preliminary step before project specific DOB analysis)	Calculation/decision
<b>Step 1:</b> Identify applicant's planned pre-disaster needs reflected in CIP (all projects)	\$2,000,000
<b>Step 2:</b> Identify revised needs for capital improvements post disaster	\$10,000,000
<b>Step 3:</b> Identify amounts available for capital improvements from all sources, including local funds (e.g., \$3,000,000 from FEMA + \$2,000,000 from local funds identified in CIP)	\$5,000,000
<b>Step 4:</b> Confirm planned park activity has tieback, even though it was in the CIP before the disaster	Yes, applicant documents flood damage
<b>Step 5:</b> Make sure the impact and unmet needs assessment in action plan reflects all disaster-related needs and sources for meeting them. Does unmet need exceed sources available?	Yes (\$10,000,000 > \$5,000,000)
<b>Step 6:</b> Confirm applicant has taken formal action to demonstrate that it does not have funds available for the park (e.g., amend CIP or pass a resolution indicating that funds will be redesignated to needs other than the park because need exceeds available sources)	Yes, if applicant documents formal action

# New DOB Tool

**INTRODUCTION:**  
This worksheet can be used to complete a duplication of benefits (DOB) analysis for Community Development Block Grant Disaster Recovery (CDBG-DR) funds.

A duplication of benefits occurs when the total financial assistance received is greater than the total unmet recovery need. CDBG-DR funds are one of multiple Federal sources that assist disaster recovery, and because CDBG-DR funds are typically the last Federal source of funding, funds are often used for the same purposes as other Federal funding sources. When CDBG-DR funds are used for the same purpose as other sources of funds, a duplication of benefits may occur. For this reason, CDBG-DR appropriations acts usually require grantees to have adequate policies in place to prevent a DOB when carrying out eligible activities. HUD created this worksheet to assist grantees with the DOB calculations. This worksheet walks a CDBG-DR grantee through many of the necessary steps and considerations related to an individual DOB analysis<sup>1</sup>.

The basic DOB calculation framework consists of five main steps:

1. Assessing an applicant's unmet need,
2. Identifying total assistance available to the applicant,
3. Excluding non-duplicative amounts of financial assistance,
4. Identifying the DOB amount, and
5. Calculating the total CDBG-DR Award.

**CONCEPTS RELATED TO DOB CALCULATIONS**

The table below highlights several key terms and concepts that are used to complete a DOB analysis. This list of terms is provided to help a grantee understand terms used in the worksheet.

<b>Funds provided for a different purpose than the CDBG-DR assistance</b>	Financial assistance that is provided for a different purpose than the CDBG-DR funds or a general, non-specific purpose (e.g., "disaster relief/recovery"), as long as the assistance is not used for the same costs as the CDBG-DR funds.
<b>Funds provided for the same purpose but a different allowable use</b>	Financial assistance that is provided for the same purpose (e.g., housing rehabilitation) as the CDBG-DR funds but used for a different allowable use than the CDBG-DR funds (e.g., interior vs. exterior rehabilitation).
<b>Purpose of the Assistance</b>	A grantee must identify the purpose of the assistance for which the funds were provided, not the purpose for which they were used.
<b>FEMA Funds</b>	Typical FEMA funds that CDBG-DR grantees should account for are FEMA Individuals and Households Program (IHP), Public Assistance Program (PA), Hazard Mitigation Grant Program (HMGP), and Building Resilient Infrastructure and Communities (BRIC).

<sup>1</sup> This worksheet is a guidance document created by HUD staff but does 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 and completing DOB analysis.

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- HUD developed a new DOB Worksheet to help grantees complete a DOB analysis
- The DOB Worksheet follows the steps outlined in HUD's DOB framework and uses the same terminology as the applicable Federal Register notices

# Aligning with the Notice and Tool

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- HUD strongly encourages grantees to follow the DOB framework and use the terms in the applicable Federal Register notice to promote consistency and minimize confusion for reviewers.
- Using different terms or steps in the DOB framework subjects grantees to additional scrutiny when programs are reviewed for compliance.
- Grantees are encouraged to adapt the steps described in the worksheet to each program, including its system of records, to prevent and address DOB.

*PRO TIP: Grantees that procure contractors to complete DOB analysis can require contractors to use terminology in HUD's DOB framework. Consider adding use of HUD's terminology as a requirement in the technical specifications of procurement solicitations or in the contract itself.*



A dramatic landscape featuring a dark, stormy sky with a bright light source breaking through the clouds, casting a beam of light. Below the horizon, a field of harvested corn stalks is visible. The right side of the image is a solid light blue background.

# Treatment of Loans in a DOB Analysis

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# Let's Define Some Terms

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- **Private Loans (never a DOB)**

A loan that is not provided by or guaranteed by a governmental entity, and that requires the CDBG–DR applicant (the borrower) to repay the full amount of the loan (principal and interest) under typical commercial lending terms, e.g., the loan is not forgivable.

- **Subsidized Loans (might be a DOB – it depends)**

Subsidized loans (including forgivable loans) are loans other than private loans. Both SBA and FEMA provide subsidized loans.

# Defining More Terms

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- **Declined Loans (Never a DOB – documentation might be required)**

Declined loan amounts 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.

- **Cancelled Loans (Cancelled Amount is Never a DOB – must document)**

The applicant signed a loan agreement, but all or a portion of the loan amount was not disbursed and is no longer available to the applicant. (must document)

The loan cancellation may be due to default of the borrower, agreement by both parties to cancel the undisbursed portion of the loan, expiration of the term for which the loan was available for disbursement, or other reasons.

# 2018 Statutory Changes

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- First of two statutory provisions addressing loans - only Congress can extend.
- Section 1210 of the Disaster Recovery Reform Act of 2018 (PL 115- 254, Division D) (“DRRA”)
  - “(C) PROHIBITION ON DETERMINATION THAT LOAN IS A DUPLICATION. Notwithstanding subsection (c), in carrying out subparagraph (A), the President may not determine that a loan is a duplication of assistance, provided that all Federal assistance is used toward a loss suffered as a result of the major disaster or emergency.”

This provision is limited to **2016 – 2021** disasters and **SUNSETS** on October 5, 2023.

# 2018 Statutory Changes Continued

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- Second statutory provisions – no Congressional action needed to extend.
- Declined Loans - CDBG-DR appropriation approved Feb. 9, 2018 (Public Law 115-123)

“the Secretary and any grantee. . . shall not take into consideration or reduce the amount provided to any applicant for assistance from the grantee where such applicant applied for and was approved, but declined assistance related to such major declared disasters that occurred in 2014, 2015, 2016, and 2017 from the Small Business Administration under section 7(b) of the Small Business Act (15 U.S.C. 636(b)).”

# Under the 2019 DOB Notice

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- A subsidized loan is not a DOB IF:
  - It is a short-term loan for costs that will be reimbursed with CDBG-DR funds;
  - It is a declined or cancelled loan; or
  - The DRRRA exception applies - Loans are not a DOB for years covered by DRRRA (2016 – 2021 disasters).
    - No waiver necessary
    - Source: FEMA Fact Sheet Waiver of Duplication of Benefits under the Disaster Recovery Reform Act available at: [https://www.hud.gov/sites/dfiles/CPD/documents/CDBG-DR/fema\\_DRRRA-1210a-fact-sheet\\_2019.pdf](https://www.hud.gov/sites/dfiles/CPD/documents/CDBG-DR/fema_DRRRA-1210a-fact-sheet_2019.pdf)
    - The DRRRA doesn't require HUD to allow use of CDBG-DR funds to repay loans – depends on grant program requirements.
    - \*\*Loan repayment is not a CDBG-DR eligible activity (must look to reimbursement).

# Subsidized Loans and DRRA Qualifying Disasters

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- **Can a grantee provide subsidized loans to homeowners to resolve existing duplication of benefits liabilities?** No, a subsidized loan cannot resolve existing noncompliance, regardless of whether the disaster is a DRRA Qualifying Disaster.
- **Can a grantee provide CDBG-DR assistance as a subsidized loan for an activity without causing a DOB?** Yes, if:
  - The grantee makes a final subsidized loan award for a DRRA qualified disaster before October 5, 2023;
  - The grantee determines that all federal assistance is used toward a loss suffered as a result of a major disaster or emergency; and
  - The subsidized loan is a bona fide loan (i.e., not a form of assistance that is really a grant).

# What is a Bona fide Loan?

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- HUD will look for key indicators that a subsidized loan is a bona fide loan.
- For example:
  - Loan documents include a schedule for principal and interest payments
  - Security or collateral is requested to ensure payment
  - Borrower signs traditional loan documents (e.g., note & loan agreement)
  - The borrower could reasonably be expected to repay the loan
  - Reportable to credit agency if not repaid under its terms



# What is a Bona fide Loan? (cont.)

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- If the loan is forgivable (if reasonable conditions are met):
  - Forgiveness is not a forgone conclusion
  - Loan terms are enforceable if not forgiven
- NOTE: Repayment period doesn't have to equal the forgiveness period. For example, a 20-year loan for \$20,000 can be forgivable at 20% each year over 5 years.

# Subsidized Loans and DRRRA Qualifying Disasters (cont.)

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- **What are key requirements for a grantee to consider if offering subsidized loans to homeowners?**
  - If a grantee offers subsidized loans to homeowners, grantees must amend its action plan, and document (through program policies and procedures and loan documents) that the loan is a bona fide loan (not a grant that is called a loan) so that it meets the DRRRA exception.
  - For references regarding bona fide loans, you can look to sources that discuss bona fide loans in other affordable housing contexts:
    - [IRS guidance on Low Income Housing Tax Credits](#) (page 51-52 of the linked .pdf) also discusses factors that it will use to determine whether a transaction constitutes “bona fide debt.”
    - A Chief Counsel [Memorandum the IRS published October 12, 2012](#), describing a transaction the IRS determined was a genuine loan in both substance and form.

# Verifying the Use of Assistance

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- **How can grantees verify that federal assistance was used for a disaster-related purpose and meets the DRRRA exception?**
  - Grantees can review receipts, inspections, bank statements, or other reasonable sources of documentation that are determined acceptable by a grantee.
  - Grantees can also use self-certifications with additional back-up documentation to verify how the assistance was used.
  - The grantee should document in its applicant file that it completed this verification.

# Sunset of the DRRRA

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- The DRRRA amendment currently sunsets on October 5, 2023.
- Subsidized loans are not a DOB for DRRRA-covered disasters if:
  - The grantee makes a final award of subsidized loan assistance for a DRRRA qualified disaster before the DRRRA sunsets on October 5, 2023
- Note, it is okay for construction to happen after the deadline and for grantees to make progress payments

# Subsidized Loans after the DRRRA Sunsets

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## What exceptions for subsidized loans could apply after the DRRRA sunsets?

- Short Term Loans for costs that will be reimbursed by CDBG-DR funds (sometimes called bridge loans).
  - PRO TIP: Loan documents must indicate that the loan is short term. The file must show that when the loan is made, the intent was that the cost will be reimbursed with CDBG-DR funds once they become available.
- Cancelled Loans – document undisbursed portion of an accepted subsidized loan is cancelled and no longer available, either through communication from lender or legally binding agreement with applicant.
- Declined Loans – document declined if data available to the grantee/subrecipient shows the applicant applied for the loan but doesn't show it was declined.

# 2011 – 2013 Disasters

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- Not covered by DRRRA or by the 2019 DOB notice.
- Subject to HUD's 2011 DOB Notice and HUD's 2013 policy on declined SBA loans (July 25, 2013 Memorandum, "HUD Guidance on Duplication of Benefit Requirements and Provision of CDBG Disaster Recovery (DR) Assistance").
- Grantees are required to take steps to make a necessary and reasonable determination, consistent with the 2013 Memorandum, before assisting applicants that declined SBA loans.

# 2015 Disasters

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- Does not have to comply with the July 25, 2013 “HUD Guidance on Duplication of Benefit Requirements and Provision of CDBG–DR Assistance,” but are still subject to necessary and reasonable cost principles in 2 CFR Part 200.
- Must not treat declined loans (including SBA loans) as a DOB or consider declined loans in the DOB analysis, but may consider declined loans for other reasons, such as underwriting.
- Can ignore cancelled loan amounts as not a DOB if the grantee has the right documentation (see 2019 Notice).

# 2016 - 2021 Disasters

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- Same as 2015 grantees for declined and cancelled loans (\*cancelled loan policy for 2015 grantees effectively supplanted by DRRRA amendments\*).
- A subsidized loan is not a DOB, provided that all Federal assistance is used toward a loss suffered as a result of a major disaster or emergency (DRRA).
  - **Accepted but undisbursed loan amounts are not a DOB** – Grantees must follow notice requirements (notify lender + applicant agreement not to draw).



# 2016 - 2021 Disasters Continued

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- It is okay to use CDBG-DR funds to reimburse individuals and businesses for some costs of CDBG-DR eligible activities paid with subsidized loans, IF grantees comply with CPD-15-07 and the 2019 DOB Notice:
  - Verify ALL Federal assistance was used towards a loss suffered as a result of a major disaster/emergency.
  - Prioritize assistance to LMI persons, consistent with title I of the HCD Act.
  - Serve persons 80% LMI and below before serving those > 80 % AMI but below 120% AMI.
  - Rare Hardship exceptions for those over 120% AMI. Hardship exception requires financial necessity.
- The ability to reimburse costs paid by SBA loans will **no longer be allowable** because the **DRRA loan exception sunsets on October 5, 2023.**

# 2022 Disasters

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- Not covered by DRRRA or by the 2019 DOB Notice.
- Subject to HUD's Consolidated Notice and the Allocation Announcement Notice.
  - Grantees must not treat declined loans (including SBA loans) as a DOB or consider declined loans in the DOB analysis.
  - Grantees may consider declined loans for other reasons, such as underwriting.
  - Grantees must not treat cancelled loan amounts as a DOB if the grantee has the right documentation.



# DOB Examples Using the Worksheet

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# Example: Charlie's DOB Calculation

- Charlie's home was destroyed in a 2020 wildfire.
- He applied for and received several sources of assistance to recover.
- He is now applying to a CDBG-DR program to finish rehabbing his home.
- The CDBG-DR grantee determines that Charlie's unmet recovery need is \$300,000.
- What is the maximum CDBG-DR award for Charlie?

## Insurance: \$150,000

- \$50,000 for loss of contents
- \$50,000 for debris removal
- \$50,000 for repairs

## FEMA: \$50,000

- \$25,000 for temporary housing
- \$25,000 for repairs

## SBA: \$30,000

- \$30,000 loan for repairs

## State grant: \$25,000

- \$25,000 for disaster recovery

## Total Assistance: \$255,000

# Example: Charlie's DOB Calculation Continued

## Insurance: \$150,000

- \$50,000 for loss of contents
- \$50,000 for debris removal
- \$50,000 for rehabilitation

## FEMA: \$50,000

- \$25,000 for temporary housing
- \$25,000 for repair

## SBA: \$30,000

- \$30,000 loan for repair

## State grant: \$25,000

- \$25,000 for disaster recovery

## Total Assistance: \$255,000

- Of the assistance Charlie received for the same purpose as CDBG-DR ("rehabilitation"), he can document the following:
  - Insurance:
    - \$50,000 repairing the foundation
  - FEMA:
    - \$12,000 – repairing the exterior
    - \$8,000 – purchase of a car
    - \$5,000 – unspent
  - SBA
    - \$30,000 – repairing the exterior

# Example: Charlie's DOB Calculation Continued

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- Does Charlie have a DOB?
- What additional information do you need to complete Charlie's DOB calculation?
- What documentation should you collect and include in your files?

# Example: Charlie's DOB Calculation Continued

Step 1: Assessing the Applicant's Need	
What is the applicant's <a href="#">unmet recovery need</a> ? Note, unmet need is determined at a point in time.	\$300,000
Step 2: Identifying Total Assistance Available	
1. Did the applicant receive insurance proceeds? If yes, answer the sub-questions below:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
a. How much assistance is provided?	\$150,000
b. What was the <a href="#">purpose(s)</a> of the assistance? List the purpose(s) of the assistance to the right.	Loss of contents, debris removal, and repairs
2. Did the applicant receive <a href="#">FEMA funds</a> ? If yes, answer the sub-questions below:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
a. How much assistance is provided?	\$50,000
b. What was the <a href="#">purpose(s)</a> of the assistance? List the purpose(s) of the assistance to the right.	Temporary housing and repairs
3. Did the applicant receive an SBA loan or other <a href="#">subsidized loan</a> ? If yes, answer the sub-questions below:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
a. How much is the loan for?	\$30,000
b. What was the <a href="#">purpose(s)</a> of the loan? List the purpose(s) of the loan to the right.	repairs

4. Did the applicant receive other cash awards or major forms of assistance (e.g., funds from a state program, local program, non-profits)? If yes, answer the sub-questions below:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
a. How much assistance is provided?	\$25,000
b. What was the <a href="#">purpose(s)</a> of the assistance? List the purpose(s) of the assistance to the right.	General; disaster recovery
<b>Total Assistance:</b> <i>This value should be the sum of all assistance provided.</i>	\$255,000

# Example: Charlie's DOB Calculation Continued

Step 3: Excluding Non-Duplicative Assistance	Response
1. For any insurance proceeds, FEMA assistance, or other major forms of assistance:	<input type="checkbox"/> N/A
a. Did the applicant use all the assistance provided? Note, the grantee must verify the applicant's response and may need to apply the necessary and reasonable cost principles to reduce the CDBG-DR award if any of the assistance is <u>unused</u> .	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Yes No N/A
i. If applicable, list the portion of <u>unused insurance proceeds</u> to the right.	\$0
ii. If applicable, list the portion of <u>unused FEMA assistance</u> to the right.	\$5,000 for repairs
iii. If applicable, list the portion of the other <u>unused</u> assistance to the right.	\$0
Total	\$5,000 unused

b. Did the applicant use the assistance for its <u>intended purpose</u> ? Note, the grantee must verify the applicant's response. If the applicant did NOT use the assistance for its intended purpose this amount is a DOB.	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Yes No N/A
i. List the amount of the insurance proceeds used to the right.	\$0
ii. List the amount of the FEMA assistance used to the right	\$8,000 to purchase a new vehicle
iii. List the amount of the other major assistance used to the right.	\$0
Total	\$8,000 not used for its intended purpose (purchase of a vehicle)



# Example: Charlie's DOB Calculation Continued

c. Was the assistance provided for a <u>different purpose</u> than the CDBG-DR funds?	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A
i. If the insurance proceeds were provided for a different purpose, list the total amount that can be excluded to the right. If the answer is no, continue to the next question to determine if this amount is a DOB.	<u>\$100,000 for loss of contents and debris removal</u>
ii. If the FEMA assistance was provided for a different purpose, list the total amount that can be excluded to the right. If the answer is no, continue to the next question to determine if this amount is a DOB.	<u>\$25,000 for temporary housing</u>
iii. If the other assistance was provided for a different purpose, list the total amount that can be excluded to the right. If the answer is no, continue to the next question to determine if this amount is a DOB.	<u>\$25,000 State Grant for general "disaster recovery"</u>
Total	<u>\$150,000 provided for a different purpose than the CDBG-DR funds</u>

d. Was the assistance provided for the <u>same purpose</u> as the CDBG-DR funds but used for a different allowable use?	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Yes No N/A
i. If the insurance proceeds were provided for a different allowable use, list the total amount that can be excluded to the right. If the answer to this question and the question before is no, this amount is a DOB.	<u>\$50,000 – can document repairs to the foundation</u>
ii. If the FEMA assistance was provided for a different allowable use, list the total amount that can be excluded to the right. If the answer to this question and the question before is no, this amount is a DOB.	<u>Charlie can only document \$12,000 used to repair the exterior</u>
iii. If the other assistance was provided for a different allowable use, list the total amount that can be excluded to the right. If the answer to this question and the question before is no, this amount is a DOB.	<u>N/A</u>
Total	<u>\$62,000 costs for a different allowable use</u>

# Example: Charlie's DOB Calculation Continued

2. For any SBA loan or other subsidized loan:	<input type="checkbox"/> N/A
a. Was the <a href="#">loan declined</a> ?	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Yes No N/A
i. If yes, list the total amount of the loan that can be excluded to the right. Note, the grantee may need to collect documentation for the applicant's file. If the answer is no, continue to the next question.	N/A
b. Was the <a href="#">loan cancelled</a> ?	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Yes No N/A
i. If yes, list the total undisbursed portion of the loan to the right because this amount can be excluded. To determine if the disbursed portion is a DOB, continue to the next question. If the answer is no, continue to the next question. Note, the grantee may need to collect documentation for the applicant's file.	N/A
c. Is the loan for a <a href="#">DRRA-covered disaster</a> (2016-2021 disasters)? If the answer is no, the disbursed portion of the loan is a DOB.	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A
d. If the loan is for a <a href="#">DRRA-covered disaster</a> , did the loan documents get signed before the DRRA loan exception sunset (October 5, 2023)?	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A
i. If the answer is yes, did the applicant use the loan for a disaster-related purpose? If the applicant used the loan for a disaster related purpose, the disbursed portion of the loan can be excluded. If not, the disbursed loan amount is a DOB.	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes No N/A
ii. List the disbursed loan amount to the right.	\$30,000
<b>Total Exclusions (non-duplicative funds):</b> <i>This value should be the sum of all the assistance with the answer "yes" in Step 3.</i>	\$242,000

$$\$150,000 + \$62,000 + \$30,000 = \$242,000$$

<b>Step 4: Identifying the DOB</b>	
List the applicant's <a href="#">total assistance</a> from Step 2 to the right.	\$255,000
List the applicant's <a href="#">total non-duplicative funds</a> from Step 3 to the right.	\$242,000
<b>Total DOB (Subtract the non-duplicative funds from the total assistance):</b>	\$13,000
<b>Step 5: Calculating the total CDBG-DR Award</b>	
List the <a href="#">applicant's total need</a> from Step 1 to the right.	\$300,000
List the total <a href="#">DOB</a> amount from Step 4 to the right.	\$13,000
Subtract the DOB from the applicant's total need to identify the maximum CDBG-DR award.	<del>\$287,000</del>
• Apply the program cap, if applicable, to the maximum CDBG-DR award.	\$300,000
• Reduce the maximum CDBG-DR award based on necessary and reasonable <a href="#">cost principles</a> , if applicable.	N/A
<b>Final CDBG-DR Award</b>	\$287,000

Charlie should still have the \$5,000 in unused assistance from FEMA that can be put towards the reconstruction. Charlie's main source of DOB is from the \$8,000 used to buy a vehicle.

# Example: Charlie's DOB Calculation Continued

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- Why isn't the \$50,000 from insurance and the \$12,000 from FEMA that was provided for rehabilitation a DOB?

*“Assistance provided for the same purpose as the CDBG–DR purpose (the CDBG–DR eligible activity) must be excluded when calculating the amount of the DOB if the applicant can document that actual specific use of the assistance was an allowable use of that assistance and was different than the use (cost) of the CDBG–DR assistance.” (84 FR 28840)*

# Example: Charlie's DOB Calculation Continued

- What if Charlie hasn't spent any of the insurance and FEMA assistance yet?

Step 3: Excluding Non-Duplicative Assistance	Response
1. For any insurance proceeds, FEMA assistance, or other major forms of assistance:	<input type="checkbox"/> N/A
a. Did the applicant use all the assistance provided? Note, the grantee must verify the applicant's response and may need to apply the necessary and reasonable cost principles to reduce the CDBG-DR award if any of the assistance is <u>unused</u> .	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> Yes No N/A
i. If applicable, list the portion of <u>unused insurance proceeds</u> to the right.	\$50,000 for repairs
ii. If applicable, list the portion of <u>unused FEMA assistance</u> to the right.	\$25,000 for repairs
iii. If applicable, list the portion of the other <u>unused</u> assistance to the right.	\$0
Total	\$75,000 unused

Step 4: Identifying the DOB	
List the applicant's <u>total assistance</u> from Step 2 to the right.	\$255,000
List the applicant's <u>total non-duplicative funds</u> from Step 3 to the right.	\$180,000
<b><u>Total DOB</u> (Subtract the non-duplicative funds from the total assistance):</b>	<b>\$75,000</b>

# Example: Charlie's DOB Calculation Continued

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- What if the wildfire occurred in 2022 instead of 2020?

# Key Takeaways

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- It is **critical** for CDBG-DR grantees to understand the DOB framework and how to conduct an individual DOB analysis.
- Grantees are **strongly encouraged** to follow the DOB requirements outlined in the applicable Federal Register notice to maintain compliance and prevent a DOB from occurring.
- Grantees with DRRA-Qualified grants should **prepare** for the sunset of the DRRA amendment and changes to the treatment of subsidized loans after October 5, 2023.

# Resources

- [CDBG Disaster Recovery Funds – HUD Exchange](#)
- [CDBG Mitigation Funds – HUD Exchange](#)
- [Disaster Recovery Tools and Templates Library – HUD Exchange](#)
- [Duplication of Benefits: The Tough Cases](#)
- [CDBG-DR Policy Bulletin 2022-02: Guidance on the 2019 Duplication of Benefits Notice](#)
- CDBG-DR DOB FAQ – *Coming soon!*
- DOB Worksheet – *Coming soon!*



# Concluding Remarks - Themes and Reflections on the Clinic

**2023 CDBG-DR Problem Solving Clinic | Chicago, IL**  
Thursday, April 27, 2023 | 4:30 PM-4:45 PM CDT







# Jen Carpenter

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Director, Policy Division, Office of Disaster Recovery, HUD



# Thank you!

If you have any questions, please feel free to send an email to ODR's Policy Division at [ODRPolicyDivision@hud.gov](mailto:ODRPolicyDivision@hud.gov)