

August 8, 2013

The Honorable Michael Grimm
U.S. House of Representatives
Washington, DC 20515

Dear Representative Grimm:

Thank you for your correspondence requesting debt forgiveness for certain disaster loans made by the U.S. Small Business Administration (SBA) to victims of Superstorm Sandy.

First let me say that SBA is committed to doing everything in its power to assist the victims of Superstorm Sandy and to help them rebuild their homes and businesses. In the immediate weeks after Superstorm Sandy, SBA was on the ground with our federal partners working to get individuals and small businesses the financial assistance they needed. For many disaster victims, SBA loans were the best option at the time and provided a much needed lifeline.

Current laws governing the SBA Disaster Loan Program contain no provision for forgiveness of disaster loans. By providing disaster assistance in the form of loans rather than grants, SBA's Disaster Loan Program helps disaster victims return to a viable economic position while benefiting the Federal taxpayers by reducing the total cost of Federal disaster assistance. SBA disaster loans provide assistance at low rates, as low as 1.688% for homeowners without credit elsewhere.

As your letter states, New York City is administering the distribution of Community Development Block Grant (CDBG) funds provided by the Department of Housing and Urban Development (HUD). We know how critical this funding can be to Sandy victims. While there are statutory provisions in place to avoid a duplication of benefits, Superstorm Sandy victims that have received SBA loans may still apply for CDBG funds for any unmet needs.

In addition, as you know, HUD has recently issued guidance on the intersection of SBA and CDBG disaster recovery assistance, specifically for those that were approved for—but did not accept—an SBA loan. In such cases, HUD has stated that it is requiring grantees such as New York City to adopt an approach that assesses each applicant's circumstances to adequately establish the basis for CDBG recovery assistance. For example, the grantee must identify the circumstances as to why the applicant declined the SBA assistance and establish why CDBG disaster recovery assistance is appropriate for the applicant.

The Honorable Michael Grimm
Page 2

SBA continues to work with its federal partners to ensure individuals and small businesses impacted by Superstorm Sandy receive the maximum assistance available to them within applicable laws and policies. We realize how critical federal assistance can be to renters, homeowners, and businesses that are trying to get back on their feet, and we are committed to doing whatever it takes to help the region rebuild from this devastating storm.

We appreciate your continued support of the SBA Disaster Loan Program. If you and your staff have additional questions, please contact Nicholas J. Coutsos, Assistant Administrator for Congressional and Legislative Affairs, at (202) 205-6335

With warmest regards,

Karen G. Mills