

CDBG-DR Policy Bulletin 2025-01

HUD's Duplication of Benefits Collection Policy

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Office of Disaster Recovery



INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD) establishes the following policy outlining limited circumstances under which it is not in the best interest of the Federal government (i.e., HUD or its grantees) to pursue an identified duplication of benefits (DOB). This policy is limited to all Community Development Block Grant Disaster Recovery (CDBG-DR) and CDBG Mitigation (CDBG-MIT) funds. These funds are typically made available for necessary expenses for activities authorized under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.) related to disaster relief, long-term recovery, restoration of infrastructure and housing, economic revitalization, and mitigation in the most impacted and distressed areas resulting from a qualifying major disaster.

Under this limited policy, HUD will not pursue monetary remedies for DOB noncompliance under two circumstances:

1. When duplicative assistance was received by beneficiaries who, after the receipt of CDBG-DR assistance, are subsequently determined to be deceased, subject to foreclosure action, or experiencing bankruptcy; or
2. When duplicative assistance was received by a low- and moderate-income (LMI)¹ beneficiary, and subsequent federal financial assistance is awarded for the same purpose.

Note that this policy does not relieve grantees of the statutory requirement to prevent a DOB before providing assistance, nor does it relieve them of the requirement to have adequate DOB policies and procedures in place. This policy applies only when a duplication occurs even though the grantee has taken measures to prevent a DOB before providing CDBG-DR or CDBG-MIT assistance to a beneficiary.

The primary mission of CDBG-DR and CDBG-MIT funds is to assist LMI persons after a disaster. The Department has adopted this DOB collection policy to alleviate additional hardships placed on LMI households after a disaster and to preserve the goals of CDBG-DR and CDBG-MIT, which are principally to benefit LMI persons. This policy also recognizes that death, foreclosure, and bankruptcy imposes financial stresses on all disaster-affected households, regardless of income, that impede recovery.

¹ **Low-to-Moderate Income:** Low and moderate income means family or household with an annual income less than the Section 8 Low Income Limit, generally 80 percent of the area median income, as established by HUD.



DUPLICATION OF BENEFITS REQUIREMENTS

Section 312(a) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121–5207) (the “Stafford Act”) requires the Federal government to assure that any person receiving Federal financial assistance does not receive financial assistance that duplicates any part of their disaster loss covered by insurance or another source (42 U.S.C. 5155(a)). A duplication of benefits occurs when a person, household, business, or other entity receives disaster assistance from multiple sources for the same recovery purpose, and the total assistance received for that purpose is more than the total need. Section 312(b) permits the payment of assistance to someone who may be entitled to future insurance payments “if such person agrees to repay all duplicative assistance to the agency providing the Federal assistance².”

In recent years, when Congress appropriates CDBG-DR funds, the supplemental appropriations acts typically require the Secretary to certify in advance that grantees have established “adequate procedures” to prevent any duplication of benefits as defined by section 312 of the Stafford Act. To meet this requirement, HUD conducts a pre-award evaluation of a grantee’s policies and procedures to prevent and address a DOB. Additionally, the Department requires grantees to enter into subrogation agreements (or similar agreements) with beneficiaries to ensure they repay any subsequent financial assistance that duplicates the CDBG-DR assistance. Section 312(c) makes any person receiving duplicative assistance liable to the Federal government for the duplicative amount and states that “the agency which provided the duplicative assistance shall collect it from the recipient . . . when the head of such agency considers it to be in the best interest of the Federal government³.”

HUD’S AUTHORITY TO FORGO THE COLLECTION OF A DOB

HUD invoked the authority of Section 312(c) to forgo the collection of a DOB on only one previous occasion. In 2015, in response to litigation arising from fraudulent Federal Emergency Management Agency (FEMA) contractor damage assessments and FEMA payment of additional flood insurance claims, HUD followed FEMA’s lead and determined that it would not impose findings for any CDBG-DR assistance that might duplicate FEMA’s additional flood insurance payments, up to an amount of \$20,000. In that case, the Department’s determination rested in part on the cost to collect relatively small amounts of duplicative assistance, and the hardships of homeowners that experienced improper damage assessments that complicated and extended their recovery. The circumstances covered by this policy are similar and address complicated scenarios when subsequent Federal assistance becomes available after the CDBG-DR funds have been awarded.

POLICY 1: DEATH, FORECLOSURE, OR BANKRUPTCY

Although long-term recovery is a process, individual disaster recovery needs are calculated at points in time. As a result, a subsequent change in a beneficiary’s circumstances can affect that

² [42 USC 5155\(b\)](#)

³ [42 USC 5155\(c\)](#)



beneficiary's remaining unmet need for assistance. Remaining unmet need means that the need was not met by CDBG-DR, CDBG-MIT, and other sources of assistance. Oftentimes, unmet need does not become apparent until after CDBG-DR assistance has been provided. When a beneficiary has died, a home has been foreclosed upon, or a beneficiary is in bankruptcy, the original disaster recovery need may not have been fully met or was exacerbated by factors beyond the control of the beneficiary or the beneficiary's heirs. Therefore, in these specific circumstances, it is not in the best interest of the Federal government to collect a duplication of benefits.

Death, Foreclosure, or Bankruptcy: Duplicative assistance received by beneficiaries falls under this exemption when, after receiving CDBG-DR assistance, they are subsequently determined to be:

- A. Deceased;
- B. Subject to a foreclosure action on a residential or non-residential property, including commercial properties rehabilitated, constructed, or reconstructed with CDBG-DR or CDBG-MIT funds; or
- C. A debtor in a bankruptcy proceeding or who exited bankruptcy proceeding after the DOB was provided (or similar proceeding for insolvent debtors under state law, such as an assignment for the benefit of creditors). To qualify for this exemption, the beneficiary must successfully have their debts discharged.

A policy regarding death, foreclosure, and bankruptcy was initially established in the Universal Notice, Appendix C. Duplication of Benefits (DOB), section 13.a. *Not in the best interest of the Federal government to collect*. This notice limited this flexibility to LMI beneficiaries. Given that these stressors are particularly acute regardless of income, HUD is expanding its interpretation to also include non-LMI beneficiaries. Therefore, the policy exemption established herein, pertaining to death, foreclosure, and bankruptcy is available to all CDBG-DR and CDBG-MIT beneficiaries.

POLICY 2: LMI EXEMPTION FOR DUPLICATIVE FEDERAL ASSISTANCE RECEIVED AFTER CDBG-DR

This policy establishes a basis for determining when it is "not in the best interest" of the Federal Government to collect duplicative assistance based on the circumstances where subsequent Federal assistance becomes available after the CDBG-DR funds have been awarded. Requiring an LMI household to repay a DOB caused by Federal assistance received outside of the normal order of disaster assistance creates undue and lasting hardships for these families, which is neither justified nor necessary. HUD will not make Findings of noncompliance for DOB amounts received by LMI persons, under the specific circumstances outlined herein. In these specific circumstances, when additional Federal assistance is awarded after receipt of the CDBG-DR or CDBG-MIT funds, it is usually due to an error by the awarding Federal agency, or a unique circumstance associated with the disaster and the recovery effort. This policy reflects a determination by HUD that the ensuing burden and processes required for seeking the recovery of additional Federal financial assistance received under these circumstances outweigh the benefits realized from the recovery of funds for LMI disaster survivors and will assist in achieving more sustainable disaster recovery outcomes.



LMI Exemption for Duplicative Federal Assistance Received After CDBG-DR: Duplicative assistance received by a LMI beneficiary is exempt when it duplicates another subsequent Federal award for the same purpose, which, if received before the CDBG-DR or CDBG-MIT assistance, would have reduced the amount of the beneficiary's CDBG-DR or CDBG-MIT award. Under this policy, it is not in the best interest of the Federal Government to seek repayment of these funds. HUD's policy caps this exemption at \$27,000.

This exemption does not apply to any non-Federal financial assistance received (i.e., the grantee must follow its regular process to collect any other type of DOB). This policy similarly caps the amount that is not in the best interest to collect at relatively small amounts of duplicative assistance that would likely be costly for grantees to collect.

APPLICABILITY OF THE POLICY

This policy applies to all CDBG-DR and CDBG-MIT grantees and is limited to the collection of a duplication of benefits. It does not relieve grantees from the statutory requirement to prevent a DOB before providing assistance or the requirement to maintain adequate DOB policies and procedures⁴. This policy applies only when a duplication occurs even though the grantee has taken measures to prevent a DOB before providing CDBG-DR or CDBG-MIT assistance to a beneficiary. A beneficiary in the context of this Policy Bulletin means a person, household, business, or other eligible entity. Additionally, this policy is limited to monetary remedies and does not prohibit the Department from pursuing non-monetary remedies under applicable statutes and regulations. This policy excludes DOB involving fraud, the presentation of a false claim, or misrepresentation by the beneficiary or any party with an interest in the claim.

This policy does not address circumstances where a beneficiary is a victim of contractor fraud. These circumstances are addressed in previous guidance issued by HUD through multiple *Federal Register* notices, which specifically allow grantees to fund the unmet needs of beneficiaries who are victims of contractor fraud related to rehabilitation, reconstruction, or new construction assisted with CDBG-DR or CDBG-MIT funds. Under that guidance, grantees may re-evaluate a beneficiary's unmet need due to damage from a subsequent disaster that caused further damage to a partially rehabilitated home or business; an increase in the cost of construction materials; vandalism; contractor fraud; or theft of materials. After re-evaluating unmet needs under these conditions, the grantee may provide additional funds to cover any increased needs that remain unmet without it being a duplication of benefits.

Grantees should consider this guidance and all applicable laws, regulations, and *Federal Register* notices when developing their DOB collection policies. As noted above, HUD will continue to require that grantees comply with section 312(a) of the Stafford Act and CDBG-DR appropriations acts to prevent a duplication of benefits, including conducting a DOB analysis for each applicant prior to the award of assistance. As always, grantees are advised to work with their assigned CPD Representative or Grant Manager in the development or revision of duplication of benefits policies and procedures and for further guidance on DOB.

⁴ For additional information regarding DOB, please review [CDBG-DR Policy Bulletin 2022-02: Guidance on the 2019 Duplication of Benefits Notice](#) and the grantee's applicable Federal Register notice found [here](#).