

**STATE OF NEW JERSEY • DEPARTMENT OF COMMUNITY AFFAIRS
DIVISION OF DISASTER RECOVERY AND MITIGATION**

SUBJECT: Grant Reconciliation Policy for CDBG-DR Housing Programs

NUMBER: 2.10.90

EFFECTIVE: April 2016

AMENDED: May 2020
February 2025

DCA-DRM

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APPROVAL:



Samuel R. Viavattine
Deputy Commissioner

Introduction

The Department of Community Affairs (DCA) is responsible for ensuring that Community Development Block Grant Disaster Recovery (CDBG-DR) funds are disbursed in compliance with Action Plans submitted to the U.S. Department of Housing and Urban Development (HUD) and all applicable state and federal regulations.

Following the execution of CDBG-DR grants through housing recovery programs administered by the Division of Disaster Recovery and Mitigation, circumstances may arise that affect the amount of funding to which applicants are entitled. This policy outlines DCA's procedures for recouping CDBG-DR funds that applicants are no longer eligible to retain and the relevant exceptions.

This policy applies to the following Housing Programs:

- Reconstruction, Rehabilitation, Elevation and Mitigation ("RREM") Program,
- Low- to Moderate-Income ("LMI") Homeowners Rebuilding Program,
- Homeowner Resettlement Program ("RSP"),
- Homeowner Assistance and Recovery Program ("HARP")
- Small Rental Repair Program ("SRRP")
- Landlord Rental Repair Program ("LRRP")

Reasons for Recoupment

Recoupments may be identified at any point during the lifecycle of the grant. Recoupments are calculated on an applicant specific basis and may be partial or full grant recoupment. When the following scenarios occur recoupment will be required when exceptions do not apply:

- Funds disbursed to applicants who are later determined to be ineligible;

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- Funds disbursed to applicants who subsequently withdraw from the program;
- Funds disbursed to eligible applicants who achieved a HUD national objective, but fail to comply with the full scope of work or cannot validate the proper use of all grant funds;
- Funds paid to applicants who have achieved a HUD national objective, but owe due to additional insurance proceeds, FEMA funds, or other payments determined to be a duplication of benefits (“DOB”) under federal requirements;
- Funds disbursed to applicants who were later subjected to foreclosure, death, or bankruptcy; and
- Funds disbursed to an applicant who achieved a national objective but the State later determined through a final grant reconciliation that the eligible project costs were less than the grant award disbursed.

Recoupment Notification and Remediation Process

When an applicant is subject to recoupment, DCA will notify the applicant of the amount owed in writing.

Process for Completed Projects

For eligible applicants who have completed construction, DCA will verify that all completed work complies with program standards. DCA will conduct a final grant reconciliation of the grant award to ensure funds were properly disbursed.

If the completed work fails to meet project scope identified in the grant agreement, such as elevation requirements for substantially damaged homes, energy efficiency standards, or environmental and historic preservation requirements, DCA may allow applicants to remedy such deficiencies if they have not previously been afforded that opportunity. If the applicant is still unable to comply with the project scope, DCA will issue a notification in writing requiring repayment of previously disbursed grant funds.

An applicant who has completed construction and achieved a HUD national objective may still be subject to recoupment if they receive additional funding that results in DOB. DOB funds are any amount received in excess of the total need for the same purpose. Examples may include insurance proceeds, FEMA funds, or other payments received after the initial disbursement of CDBG-DR funds. DCA will identify instances of DOB through reconciliation reviews, cross-referencing other disaster-

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related funding sources, and applicant-provided documentation.¹ Where an applicant has received duplicative funds in excess of their need, DCA will issue a notification in writing identifying the amount to be returned to the program if necessary.

Ineligible or Withdrawn Applicants

Applicants who are determined to be ineligible or who withdraw from the program will receive formal notification of their funding status, which may include the return of any previously disbursed grant funds.

Procedure for Repayment

Applicants who are required to return funds may pay immediately in full upon receipt of a recoupment notification. However, if an applicant is unable to immediately repay the full balance, DCA offers a repayment plan under the following terms:

- A repayment period of up to thirty-six (36) months.
- The balance owed will be evenly distributed across the repayment period.
- No interest or fees.

Applicants will receive a detailed repayment schedule via email and regular mail to their current mailing address as determined by the Program. DCA will send monthly email statements reflecting payments made and the outstanding balance.

Applicants who are participating in a repayment plan and are selling their homes are required by DCA to pay the remaining amount prior to the covenant being removed. If a home was already sold and the covenant was not removed, the original grant applicant remains responsible for the full repayment. DCA may work with the new owners to resolve the covenant.

Noncompliance with Repayment Terms

DCA may take the following action when an applicant fails to comply with the repayment schedule:

- Written notice via regular and/or certified mail reminding them of their obligation to repay after 30-days.

¹ Please see DCA DRM Policy No. 2.10.73 for further information on Duplication of Benefits.

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- Attempt to contact via phone after 45-days.
- A second written notice via regular and/or certified mail reminding them of their obligation to repay after 60-days.
- Second attempt to contact via phone after 75-days.
- Transfer to New Jersey Department of Treasury, Division of Revenue and Enterprise Services (DORES), Cross Agency Collection and Services Bureau, for further collection efforts at 91-days. DORES may employ methods such as wage garnishment, tax refund offsets, and other legally authorized collection actions to recover the outstanding funds.

Exceptions to Recoupment

In alignment with HUD's CDBG-DR Policy Bulletin 2025-01 ("Policy Bulletin 2025-01"), DCA establishes the following exceptions to this policy.

Deceased Applicants

DCA will not pursue the recovery of any CDBG-DR funds from applicants who are deceased, regardless of whether a DOB has occurred.

Bankruptcy Filings

DCA will not pursue applicants who have their debts successfully discharged through bankruptcy after the grant award signing, regardless of whether a DOB has occurred. DCA will adhere to all applicable bankruptcy laws and procedures.

Foreclosure

DCA will not pursue the recovery of any CDBG-DR funds from applicants whose property has been lost to foreclosure, regardless of whether a DOB has occurred.

Low- and Moderate-Income (LMI) Beneficiaries Receiving Additional Assistance

Pursuant to Policy Bulletin 2025-01, DCA will not pursue the recovery of funds from LMI beneficiaries that have achieved a HUD national objective when additional duplicative Federal assistance, such as FEMA IA, ICC, or SBA, is awarded after receipt of the CDBG-DR funds. This exception does not apply to any non-Federal duplicative financial assistance received. HUD's policy caps this exemption at \$27,000.

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LMI applicants do not need to apply for this exception. DCA will assess all LMI applicants to assess if they are eligible for this exception. LMI status was determined at the time of award.

Applicants who were not qualified as LMI at the time of award, but who have had a change in financial circumstances since grant signing and want to apply for this exception can apply for exemption. To do so, applicants must provide documentation demonstrating their household income is at or below 80 percent of the Area-Median-Income for their county. Details related to this process will be published to DCA's website prior to the implementation of collection efforts.

To determine if your household is at or below 80 percent of Area Median Income, please refer to the information on the HUD website: <https://www.huduser.gov/portal/datasets/il.html>

Final Resolution

Once the debt has been fully repaid in accordance with Return Funds policy 2.10.101, deemed uncollectible by DORES, and/or forgiven in accordance with the exception criteria identified within this policy, DCA will contact the county clerk to have restrictive land covenant removed from the property. Finally, DCA will issue a written confirmation to the applicant, indicating that the account is closed, and no further action is required.

Please note that applicants who have committed or are under suspicion of committing fraud must repay funds to DCA and are not eligible for the repayment plan or exceptions detailed in this policy. Applicants who are repaying grant funds pursuant to a settlement or court-ordered restitution are similarly not affected by the terms of this policy.

Please note that applicants already under a repayment plan that was established prior to the execution of this policy are required to adhere to the terms of that repayment plan unless notified otherwise.

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Attachment A

CDBG-DR Policy Bulletin 2025-01