

HUD Disaster Recovery Programs

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HUD was initially a major player in the world of disaster recovery and response before the creation of the (relatively) unified disaster response and recovery system headed by FEMA. Today, this history is reflected by the agency regularly allocating long-term recovery funding to disaster-impacted areas. HUD also operates several additional programs focused on housing and economic recovery. While common sense would dictate that the agency would have a larger role in the immediate aftermath of disasters given its experience in housing low-income and marginalized households, the agency primarily operates within the long-term recovery space, with a few notable exceptions.

Community Development Block Grant Disaster Recovery (CDBG-DR): CDBG-DR funding is provided for presidentially declared major disasters by appropriations acts and is generally tailored to specific disasters. To determine how much a state or local government receives, HUD uses a formula that considers damage estimates and disaster recovery needs unmet by other federal disaster assistance programs such as FEMA and SBA. In addition to any requirements cited in the specific appropriation act, the regular CDBG regulations at 24 CFR 570 apply to CDBG-DR funds. However, CDBG-DR appropriations generally grant HUD broad authority to issue waivers and alternative requirements identified in a *Federal Register* notice issued by HUD following the announcement of the appropriation.

CDBG-DR grantees, usually states, must prepare an action plan to assess housing, infrastructure, and economic revitalization needs and then identify activities to address unmet needs. Public participation in devising the action plan is required. In the regular CDBG program, a minimum 30-day public review and comment

period is required. However, in recent CDBG-DR *Federal Register* notices, HUD has reduced the public participation period to a mere 14 days. Advocates stress that more time for public engagement is necessary, especially since the consequences of the final plan will have long-term impacts on low-income households.

The regular CDBG program requires that at least 70% of the funds be used for activities that benefit low- and moderate-income households or those with income at or less than 80% of the area median income. The CDBG-DR *Federal Register* notices regarding funds for the 2017 disasters maintained the 70% low/mod-income benefit requirement; however, most of the major notices between Hurricane Katrina in 2005 and 2016 allowed waivers so that only 50% of the CDBG-DR had to meet the low/mod benefit test. In 2020 FEMA and HUD signed a Memorandum of Understanding that streamlined the use of CDBG-DR funds to pay for portions of FEMA PA projects. Under this new streamlining agreement, only the portion of the project funded directly by HUD CDBG-DR is required to meet CDBG requirements, such as targeting low-income households. Previously, the use of CDBG-DR funding on FEMA PA projects would extend such requirements to the entire project.

Recent *Federal Register* notices have required that at least 80% of the total funds provided to a state address unmet needs within an area designated by HUD as being the most impacted and distressed. They have also required the action plan to propose allocating CDBG-DR to primarily address unmet housing needs and describe how the grantee's program will promote housing for vulnerable populations, including a description of activities to address the housing needs of homeless people and to prevent extremely low-income households from becoming homeless.

Grantees must submit Quarterly Performance Reports (QPRs) using HUD's electronic Disaster Recovery Grant Reporting System, showing each activity's progress, expenditures, accomplishments, and beneficiary characteristics such as race, ethnicity, and gender.

Disaster Housing Assistance Program (DHAP): The aftermath of Hurricane Katrina in 2005 demonstrated that HUD, not FEMA, was best suited to oversee and administer federal disaster housing assistance to people with the lowest incomes. Congress amended the "Stafford Act" to require the federal government to create a disaster housing plan. In 2009, that plan made clear that HUD should play a key role in creating and operating disaster housing assistance programs and recommended that Congress make the DHAP permanent. The 2011 National Disaster Recovery Framework also recommended that HUD, not FEMA, serve as the coordinating agency for delivering housing assistance. However, before HUD can put a DHAP program in place, FEMA must enter an interagency agreement with HUD. In the wake of recent major disasters, FEMA has resisted working with HUD to stand up DHAP programs.

DHAP has been used after past disasters, including Hurricanes Katrina, Rita, Gustav, Ike, and Sandy, to provide low-income, displaced families with safe, decent, and affordable rental homes while they rebuild their lives and get back on their feet. DHAP is administered through HUD's existing network of local Public Housing Agencies (PHAs), which have significant local market knowledge and experience administering HUD's Housing Choice Voucher program.

DHAP provides displaced households with temporary rental assistance, covering the cost difference between what a family can afford to pay and the cost of rent, capped at a reasonable amount. Over the course of several months, families are required to pay a greater share of their rent to encourage and help them assume

full responsibility for housing costs at the end of the program. All families receiving DHAP rental assistance are provided wrap-around case management services to help them find permanent housing, secure employment, and connect with public benefits.

DHAP helps fill the gaps that low-income households experience with FEMA's Transitional Shelter Assistance (TSA) and Rental Assistance programs. Many hotels do not participate in TSA, and those that do often charge daily resort fees, ask for security deposits, and require that displaced households have credit cards, all of which are barriers for low-income households. Because disasters generally reduce the amount of available housing stock, low-income renters are often unable to use FEMA Rental Assistance in their communities. If a displaced household relocates, the Rental Assistance amount, which is based on the Fair Market Rent of the impacted area, may not be enough to cover the cost of an apartment in a different community.

Rapid Unsheltered Survivor Housing (RUSH): In a major advocacy victory, HUD created the RUSH program during the 2022 Atlantic Hurricane Season to address some of the issues created by the failure to utilize DHAP. In the aftermath of large disasters, the program allocates unused Emergency Solutions Grants (ESG) funding to impacted communities to assist individuals that were experiencing homelessness in the area prior to the disaster and households at risk of homelessness afterward. HUD plans to only deploy these funds after exceptionally large disasters where FEMA TSA has been activated.

Funds can be used for rapid re-housing, which provides up to 24 months of assistance, and financial assistance for moving costs, utilities, supportive services, outreach, and assistance to meet urgent needs of unsheltered individuals. Eligible families are people experiencing homelessness and households paid under 30% of area median income who either live in severe over-

crowding, will face eviction within 21 days, or have another risk factor for homelessness.

RUSH implementation in Florida and Hawaii has been hindered by numerous hurdles – slowing the provision of assistance to disaster survivors under the program. In a report on the implementation of the program released by NLIHC and the National Housing Law Project, these hurdles include a lack of guidance regarding spending deadlines, lack of transparency and information sharing, confusion about RUSH's relationship to existing assistance programs, and a reimbursement model that does not adequately incentivize grantees to spend RUSH funds in a timely manner.

The report recommends that HUD address these challenges in several ways. For example, HUD should ensure that decisions to allocate disaster assistance do not reinforce pre-existing racial disparities, and the agency should explore alternative ways to ensure equity when deploying RUSH funds. Likewise, the report suggests that HUD provide RUSH funds up front instead of via a reimbursement model to allow for quick implementation of activities, and that the agency impose timing requirements that complement FEMA programs. HUD should also clarify the benefits of synchronizing RUSH and related homeless service activities, ensure that regulatory waivers provided to RUSH recipients are sufficient, and prioritize the creation of detailed guidance on how to access RUSH funds.

Federal Housing Administration (FHA): The FHA grants a 90-day moratorium on foreclosures and forbearance on foreclosures of FHA-insured home mortgages. HUD's Section 203(h) program provides FHA insurance to disaster victims who have lost their homes and need to rebuild or buy another home. Borrowers from participating FHA-approved lenders may be eligible for 100% financing. HUD's Section 203(k) loan program enables those who have lost their homes to finance the purchase of or refinance a house along with repairs through a single

mortgage. It also allows homeowners who have damaged houses to finance the rehabilitation of their existing single-family home.

Forecast for 2025

The overall forecast for disaster-related activities at HUD is unclear at this moment. While it is very likely that the overall funding environment will be difficult for the agency – there have been significant disaster-related expenditures despite poor funding climates in the past. This largely depends on the severity and frequency of disasters, however. Regardless, one can expect that HUD may become more selective with CDBG-DR recipients in the future, similar to what occurred in Puerto Rico in the aftermath of Hurricane Maria, where HUD withheld funding to the territory for a number of years before yielding to pressure from groups of lawmakers and advocates, which allowed the funds to move forward.

Legislatively we expect that ongoing efforts will continue. In 2023, Senators Brian Schatz (D-HI), Susan Collins (R-ME), Todd Young (R-IN), Patty Murray (D-WA), Roger Wicker (R-MS), Bill Cassidy, M.D. (R-LA), Ron Wyden (D-OR), Chris Van Hollen (D-MD), Thomas Tillis (R-NC), Jon Tester (D-MT), Cindy Hyde-Smith (R-MS), Ben Ray Lujan (D-NM), Corey Booker (D-NJ), and Alex Padilla (D-CA), and Representative Al Green (D-TX) introduced the "Reforming Disaster Recovery Act" (S.1686/H.R.5940), which permanently authorizes the CDBG-DR program. The bill also creates important safeguards and tools to ensure that federal disaster recovery and rebuilding efforts reach all impacted households, including those with the lowest incomes that are often hardest hit by disasters but have the fewest resources. NLIHC strongly supports this bill. The bill has previously passed out of the House Financial Services Committee by unanimous vote and passed by a bipartisan vote of the House of Representatives.

Despite the relative success of this bill, in 2024 there were sustained efforts by some lawmakers to curtail the CDBG-DR program in favor of a loose block grant of funds provided by FEMA directly to states. While this solution would address the current issue with long-term recovery – that the lack of statutory authorization creates delays in the program – it would create a program with no guarantee that funds would be spent on housing at all, let alone reach households at the lower end of the income spectrum. In addition, FEMA has a sustained track record of overseeing inequitable programs, and it would be expected that these issues would persist into a FEMA-facilitated long-term recovery program. These efforts to take long-term recovery away from HUD’s portfolio remain troubling, even if they did not receive significant traction. They are expected to continue into 2025.

No long-term recovery funds have, as of this writing, been approved for 2023 or 2024 disasters. Any future disaster relief bill must include resources to ensure that all survivors, including people with the lowest incomes, are equitably served.

Additional Resources

NLIHC Fact Sheet on the CDBG-DR Program, https://nlihc.org/sites/default/files/DHRC_What_is_the_CDBG-DR_Program.pdf.

NLIHC Fact Sheet on the Reforming Disaster Recovery Act of 2023, https://nlihc.org/sites/default/files/Reforming_Disaster_Recovery_Act.pdf.

NLIHC Fact Sheet on the Disaster Housing Assistance Program, <https://nlihc.org/sites/default/files/DAHP-Program.pdf>.

NLIHC and NHLP Report on the HUD RUSH Program, <https://nlihc.org/sites/default/files/2023-10/plugging-gap-report.pdf>.

HUD Exchange Landing Page for CDBG-DR Programs, <https://www.hudexchange.info/programs/cdbg-dr/>.