

AUDIT OF BORROWER ELIGIBILITY FOR GULF COAST DISASTER LOANS

Report Number: 9-09
Date Issued: March 31, 2009

**Prepared by the
Office of Inspector General
U. S. Small Business Administration**



U.S. Small Business Administration
Office of Inspector General

2

Memorandum

To: Steven Smith, Chief, Executive Office of Disaster
Strategic Planning and Operations

Date: March 31, 2009

Herbert L. Mitchell, Associate Administrator
Office of Disaster Assistance

From: /s/ **original signed**
Debra S. Ritt
Assistant Inspector General for Auditing

Subject: Audit of Borrower Eligibility for Gulf Coast Hurricane Disaster Loans, Report
No. 9-09

This final report summarizes the results of our audit of *Borrower Eligibility for Gulf Coast Hurricane Disaster Loans*. The objective of the audit was to determine whether the Small Business Administration (SBA) had controls in place to prevent ineligible applicants from receiving disaster loans for properties that were not their primary residences.

To address the audit objective, we reviewed 35 sampled disaster home loans to Grand Isle, Louisiana applicants that were referred to us by our Investigations Division. These loans were disbursed between October 2005 and October 2008.

To determine whether individuals received loans for properties that were not their primary residences, we compared address information contained in the sampled loan applications to residences claimed on Federal income tax returns, and reported in Louisiana voter registration and homestead exemption databases. We also reviewed entries in SBA's Disaster Credit Management System (DCMS) to determine whether SBA adequately verified applicant residences reported in loan documents as required by Standard Operating Procedure (SOP) 50 30 5, which was in effect at the time that the sampled applications were processed. We also interviewed Office of Disaster Assistance (ODA) staff assigned to the Fort Worth Loan Processing and Disbursement Center (PDC) to gain an understanding of the loan approval process for borrowers who owned multiple properties.

We conducted the audit between June and December 2008, in accordance with Government Auditing Standards as prescribed by the Comptroller General of the United States.

BACKGROUND

In 2005, Gulf Coast Hurricanes Katrina, Rita and Wilma caused more than \$118 billion in estimated property damage. Many of the disaster victims were eligible for SBA physical disaster loans. As of November 2008, approximately \$6.6 billion in loans had been disbursed to assist these disaster victims. Individuals are eligible to apply for a home loan if they own and occupy their primary residence and have suffered a physical loss to that residence. Home owners and renters can apply for loans for personal property losses.

Based on SOP 50 30 5, *Disaster Assistance Program*,¹ loan applicants are required to complete a Disaster Home Loan Application (SBA Form 5C) to begin the loan application process. Applicants are instructed to list any properties they own or rent on their applications. SOP guidance states that although some applicants may have more than one residence, applicants may receive a home loan for only their primary residence. If the applicant owns more than one property, loan officers must verify whether the property is the applicant's primary residence by checking homestead exemption and voter registration databases, among other sources. The homestead exemption database is a registry maintained by the state of Louisiana, which lists the addresses and property values of all homes registered within the state. While these sources may not definitively show proof of a person's primary residence, they are good indicators of where borrowers reside the greatest percentage of the year. Borrowers are also required to complete a Tax Information Authorization Form (IRS Form 8821) and give SBA access to their Federal income tax filings to verify income.

RESULTS IN BRIEF

ODA did not have adequate controls in place to ensure that borrowers were eligible to receive disaster home loans. Specifically, of the 35 loans in our sample, 29, or 83 percent, were approved without adequately verifying whether the property was the applicant's primary residence. Further, ODA did not obtain proof of ownership for one loan applicant. A list of the 29 loans is provided in Appendix I.

We found that 8 of 29 properties may not have been the applicants' primary residences. ODA had disbursed \$683,200 on these 8 loans. Because the 8 applicants potentially made false claims, we have referred these loans to our Investigations Division.

¹ This SOP has since been replaced by SOP 50 30 6.

In determining primary residence eligibility, ODA did not follow policy guidance, which directs loan officers to check relevant homestead exemption databases, voter registration records, or Federal tax returns when a residency is questioned. Instead, ODA reviewed the National Emergency Management Information System (NEMIS), maintained by the Federal Emergency Management Agency (FEMA), which shows only occupancy data, and may be dated.

While checking sources listed in the SOP is more reliable than NEMIS, it is more time-consuming and may not provide conclusive evidence of a borrower's primary residence. Consequently, ODA will need to identify a more reliable method of confirming applicant primary residency.

Finally, one borrower received a Housing and Urban Development (HUD) *Road Home Grant* for approximately \$19,000 after he received an SBA disaster loan for \$38,900, resulting in a duplicate benefit.

We recommended that ODA instruct loan officers to follow the SOP requirements for residency verification until a revised method can be developed, and take steps to revise its current procedures for verifying an applicant's primary residence, including considering the use of either Choice Point or other credit bureau databases. We also recommended that ODA request remittance from HUD for the *Road Home Grant* amount that duplicated disaster benefits awarded under the SBA loan.

Management disagreed that 83 percent of the loans were not properly reviewed to justify the primary residence determination. Management also believes that 17 of the 29 loans the audit identified as lacking adequate verification of the applicant's primary residence were appropriately verified, and provided a spreadsheet (Appendix V) citing reasons for its position. We believe ODA inappropriately relied on NEMIS data, which is not sufficient for making primary residence determinations. Further, the additional sources that ODA listed in Appendix V were identified in response to the report, and not done at the time of loan approval. Therefore, the report is accurate in stating that ODA did not adequately verify applicant residency needed for eligibility determination at the time it approved the 17 disputed loans.

Finally, management concurred with our three recommendations. Because management did not identify specific actions it plans to take on the first and second recommendations, or provide target dates for implementation, we do not consider management's comments to be fully responsive to any of the recommendations.

RESULTS

ODA Did Not Adequately Verify Applicant Residences on 83 Percent of the Loans Reviewed

ODA did not have adequate controls in place to ensure that properties approved for loans were the applicants' primary residences. Questions about residency usually arise during loan closing when the applicant identifies other properties that he/she owns that will be used as collateral for the loan. When there is a question of residency, SOP 50 30 5 requires that various sources be checked to determine which property is the applicant's primary residence. These sources include the homestead exemption database, voter registration records, or Federal tax returns, among other sources. Despite this requirement, the audit disclosed that ODA did not adequately verify applicant residences on 29, or 83 percent, of the 35 loans sampled.

For 21 of the 29 loans, applicants listed multiple properties during the loan closing process. A comparison of the addresses claimed on these 29 loan applications against those claimed in voter registration databases, tax filings, and homestead exemption databases revealed that 8 properties may not have been the applicants' primary residences. For example:

- One borrower, who applied for a loan in 2005, listed his primary residence as Grand Isle, Louisiana and reported two other properties within the state that were located in Gretna and Luling. However, the borrower was not listed in the homestead exemption database for Grand Isle, indicating that he may not have had a primary residence there. Additionally, the address reported on the borrower's 2004 Federal tax returns differed from that listed as the primary residence on the borrower's loan application.
- Another borrower, who owned three properties, received a loan in 2006, although the damaged property listed on the loan application was not reported in homestead exemption and voter registration records. Furthermore, the address on the borrower's 2005 tax returns was different than the address of the damaged property listed on the loan application.

Because borrowers for the eight loans may have made false claims in applying for their SBA loans, we have referred these cases to our Investigations Division for potential criminal prosecution.

Although ODA loan officers were aware of the SOP guidance for verifying questionable residences, they did not believe that the procedures outlined in the SOP were mandatory. Instead they said it was ODA's practice to use NEMIS,

which is a centralized system maintained by FEMA that tracks all individuals who have applied for disaster assistance. According to FEMA, NEMIS provides insufficient information upon which to verify an individual's primary residence because it does not provide the length of occupancy, and the occupancy data may be dated. For example, during an inspection, FEMA officials told us that NEMIS identified an individual as residing in Texas, although the applicant had not lived there for 10 years.

While checking multiple data sources listed in the SOP is a more reliable process than relying on NEMIS, it is more time-consuming and may not provide conclusive evidence of a borrower's primary residence. For example, borrowers may not be listed in voter registration records if they did not register to vote, or in the homestead exemption data base if they did not file for homestead exemption. Consequently, ODA will need to identify a more reliable method of confirming applicant primary residency. For example, ODA may want to consider using Choice Point or reports from credit bureaus, which provide residency information.

ODA Approved One Loan without Proof of Property Ownership

Verification of property ownership is an important internal control to help prevent improper disbursement of disaster funds to individuals who may be attempting to fraudulently qualify for disaster loans. Property deeds generally establish real estate ownership and loan eligibility. According to SOP 50 30 5, when deeds are not available, ODA may use: (1) reports of damaged property from FEMA; (2) information from Choice Point or a similar data base of property owners; (3) property titles; (4) recorded land installments or contracts; (5) wills; (6) court documents; (7) affidavits from county officials; (8) property tax records; (9) insurance policy documents; or (10) mortgage company records as proof of property ownership.

While the loans reviewed generally were supported by property ownership documentation, we identified one loan for \$50,500 that was approved without evidence that the borrower owned the property that he claimed as his primary residence on his loan application. The borrower stated that he owned a mobile home, but not the property upon which the home was located.

OTHER MATTERS

In addition to the eight loans that may have been inappropriately awarded, we identified one loan that duplicated benefits received from a HUD *Road Home Grant*. The HUD grant was for approximately \$19,000, and was awarded after the SBA loan was made to the borrower. After HUD notified ODA of the grant, ODA did not request a remittance of the grant amount, as required. Consequently, SBA

did not get reimbursed, as required, for the HUD grant it inappropriately gave to the loan recipient.

RECOMMENDATIONS

We recommended that the Chief, Executive Office of Disaster Strategic Planning and Operations direct the Associate Administrator for Disaster Assistance to:

1. Instruct loan officers to follow the SOP requirements for residency verification until a revised method is developed.
2. Revise its current procedures for verifying an applicant's primary residence to ensure that a more reliable method is used than that provided in the SOP. For example, ODA should consider using either Choice Point or other credit bureau databases.
3. Request remittance from HUD for the approximately \$19,000 associated with the *Road Home Grant* that duplicated disaster benefits awarded under the SBA loan.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

On February 6, 2009, we provided a draft of the report to ODA for comment. On March 6, 2009, ODA submitted its formal response, which is contained in its entirety in Appendix II. On March 6, 2009, the Chief of the Executive Office of Disaster Strategic Planning and Operations also submitted his endorsement of ODA's comments, which is shown in Appendix III. Management concurred with recommendations 1 and 2 and partially concurred with recommendation 3. ODA, however, disagreed with our interpretation of the primary residence requirements stated in the SOP and with our findings on 17 of the 29 loans that were reported as being made without adequate verification of the applicant's primary residence. Management's comments and our evaluation of them are summarized in the following paragraphs, listed by the headings in ODA's response.

Management Comment 1 – The OIG’s interpretation of ODA’s requirements for primary residence determinations is inaccurate.

Management stated that the OIG believes that ODA was required to check all sources listed in SOP 50 30 5 when making a primary residence determination, which is a misinterpretation of the SOP. Instead, ODA stated that any one of the sources listed could possibly justify a primary residence determination. ODA management also referred to subsection (f) of the SOP, which authorizes the use of other similar sources that can be used, and advised that its reliance on NEMIS data met the requirements of the SOP. Therefore, ODA believes the report is incorrect in saying that ODA did not adequately verify primary residences on 83 percent of the loans reviewed.

OIG Response

We disagree with management’s assessment of our findings. The audit report does not state that all sources must be checked. Rather, the OIG looked for documentation that could lead to a conclusion that the application related to a borrower’s primary residence. ODA relied almost exclusively on NEMIS data, even though according to FEMA, NEMIS only establishes occupancy and does not show the length of occupancy needed to make a determination on primary residence.

Management Comment 2 – Finding multiple properties on flood maps is not an adequate basis for questioning the primary residence of loan applicants

Management stated that merely finding more than one address per applicant from flood maps is not an adequate basis to question a borrower’s primary residence. A more thorough review of each loan file is needed to fully understand the reason for multiple properties being flood mapped.

Management also disagreed with 17 of the 29 residence verifications that were identified as being inadequate primarily because the NEMIS database showed the applicants had at one time occupied the residences claimed. After receiving our draft report and in response to the exceptions found, ODA researched applicant residences and provided our office with a spreadsheet showing additional sources of information documenting the addresses of applicants at the time of loan approval (provided in Appendix V).

OIG Response

Because flood mapping identifies multiple properties either owned or used as addresses by the applicant, it serves as an indicator to alert the Agency to conduct further research to confirm the primary residence of loan applicants. Therefore, we agree that further research is needed, as management suggests, to establish the applicant's primary residence. However, when flood maps identified multiple properties, ODA did not perform additional research to confirm that the property claimed was the individual's main residence. Instead, ODA relied solely on NEMIS data, which shows occupancy, but not the length of time the applicant occupied the property.

Based on the spreadsheet accompanying management's response to the draft report (shown in Appendix V), ODA acknowledged that it relied on NEMIS to make the eligibility determinations. However, the spreadsheet also lists additional sources of information on applicant residences, which incorrectly suggests that these sources were checked at the time of the eligibility determination. This is not true and very misleading. The additional sources of information were identified in response to the draft report and were not used to verify residency at the time of loan approval. We also wish to note that the majority of the applicants listed on the spreadsheet provided only Post Office box address, which increases the risk of fraud and elevates the need to verify where these individuals resided at the time of the disaster. Provided below is our rationale for why the information ODA provided was not sufficient to dispute our findings on the 17 loans:

- Loan #8 – ODA did not adequately verify the applicant's residence even though the address provided was a Post Office box. Credit bureau reports and Federal tax returns were not reviewed at the time of the eligibility determination. ODA claimed it relied on the address used for insurance recoveries, which was insufficient as individuals can have insurance on multiple properties.
- Loan #9 – ODA's eligibility determination was based on NEMIS, which does not establish length of residency. Other sources cited were not reviewed at the time of the eligibility determination.
- Loan #11 – ODA's determination was based solely on NEMIS.
- Loan #12 – ODA's determination was based on the driver's license of one of the applicants. However, the applicants were husband and wife, who had separate addresses. Further, the DCMS loan file showed that the borrowers had received a Road Home grant to repair property they owned,

while they presented themselves as renters for the disaster loan. Therefore, there were red flags in the loan file that should have prompted ODA to further research the applicants' primary residence. [FOIA ex. 7(A)].

- Loan #13 – ODA made its determination based on the address used for insurance recoveries. However, because an individual can have multiple properties insured, this source was insufficient to establish the applicant's primary residence.
- Loan #15 – ODA's determination was based on NEMIS data, which was insufficient to establish the individual's primary residence. The pay stub in the loan file showed a Post Office box address.
- Loan #16 – ODA made its determination based solely on NEMIS data. Other documents cited listed Post Office box addresses and were not considered in the eligibility determination.
- Loan #17 – ODA made its determination based solely on NEMIS data.
- Loan #18 – ODA relied on the applicant's driver's license which was not sufficient to show the length of time the individual resided at the address needed to establish the property as the applicant's primary residence.
- Loan #19 – ODA made its determination based solely on NEMIS data. Other documents cited were not considered for loan approval, and all listed a Post Office box address.
- Loan #21 – ODA made its determination based solely on NEMIS data. Other documents cited were not analyzed at the time of loan approval.
- Loan # 22 – ODA approved the loan even though the applicant used a Post Office box address, which was also used on other documents that ODA researched. The death certificate for the applicant's spouse showed the residence as being the address of the spouse in 2004; however, by itself the certificate does not demonstrate that the applicant lived there at the residence at the time of the disaster.
- Loan #23 – ODA made its determination based on NEMIS and insurance data. NEMIS is insufficient as a source as it does not show length of occupancy, and insurance documents are inadequate as individuals can insure multiple properties.

- Loan #24 – ODA approved the loan based on the Post Office box address and did not establish that the applicant lived in Grand Isle. In fact, the applicant also owned another property in Baton Rouge. Other documents that ODA researched after loan approval also disclosed a Post Office box address for the applicant.
- Loan #25 – ODA determined the applicant’s eligibility based solely on NEMIS data. ODA should have taken additional steps to verify the residence as the applicant claimed the damaged property was the primary residence, but had represented the property as a business when applying for two prior disaster loans.
- Loan # 26 – ODA considered the damaged property to be the applicant’s primary residence, even though the applicant reported it as a seasonal dwelling that he was staying in until his primary residence, which was damaged by an unrelated fire, was repaired. The damaged property could have been considered the applicant’s primary residence, if the applicant intended on permanently staying there; however the applicant informed ODA that it planned to move out of the damaged property once the primary residence was restored.
- Loan #28 – ODA made its determination based solely on NEMIS data.

Management Comment 3 - OIG Use of Commercial Services and External Web Sites for Verification Purposes

Management questioned the OIG's use of Louisiana voter registration and homestead exemption databases because these sources, at the time of the review, could have shown data that was different from what existed when ODA originally processed the loans. According to ODA, the differences could have been due to relocations, legitimate changes in primary residence, or other facts and circumstances that may have occurred in the intervening years since loan approval. Management also stated that loan officers did not have access to voter registration and homestead exemption records while processing the Gulf Coast Hurricane loans. ODA also believes that Choice Point and other credit bureau databases verify ownership only, and not residency.

OIG Response

We agree with management that voter registration and homestead exemption records are not the best sources to use for verifying an individual's primary residence, which is one of the audit findings. Because these sources do not provide conclusive proof of residence, we recommended that SBA revise its SOP to identify other sources, such as Choice Point or other credit bureau databases. Since SBA's SOP instructs loan officers to use these sources for verification, we used them as well to determine whether addresses recorded in these databases differed from that claimed by applicants. In doing so, we reviewed information for the same time period in which the loans were processed. Therefore, ODA's concern that we relied on information that was different from that at the time of loan approval is not valid.

Further, we believe management's claim that loan officers did not have access to the voter registration and homestead exemption databases illustrates that ODA did not have proper controls in place to adequately safeguard taxpayer dollars. Finally, if ODA did not believe that voter registration records and homestead data were sufficient, we question why it believes that any one of these sources could be used to justify the primary residence determination. Additionally, if loan officers do not have access to these sources of data, we question why ODA listed them in its SOP as sources that should be checked when determining eligibility. Further, Choice Point and other credit bureau databases are simply suggested sources that ODA may want to further research to determine whether they can be used to verify an individual's primary residence.

Recommendation 1*Management Comments*

Management agrees to instruct loan officers in the interim to follow the SOP requirements for residency verification. ODA previously provided instructions and training to all loan officers on the current SOP requirements to satisfy this recommendation.

OIG Response

Management's comments are partially responsive to the recommendation. We commend ODA for issuing a memo (shown in Appendix IV) to loan processing staff and conducting training. However, once ODA revises its method for verifying primary residences as recommended, it should re-train loan officers and notify our office that the action has been completed.

Recommendation 2*Management Comments*

Management agrees to research alternative methods for determining and verifying an applicant's primary residence to see if a revised procedure would be more reliable.

OIG Response

Management's comments are not fully responsive to our recommendation since it did not provide a target completion date or agree to inform our office of its findings and decision.

Recommendation 3*Management Comments*

Management agrees that there was an error in the duplicate benefit calculation. ODA has requested the loan file from the servicing office in order to re-evaluate loan eligibility in light of the grant information. ODA agrees to collect any duplicate assistance from the appropriate party, which may be the borrower, versus HUD.

OIG Response

Management's planned actions are responsive to the recommendation. However, it did not provide a target completion date needed to consider its comments fully responsive.

ACTIONS REQUIRED

We request that you submit written comments identifying (1) target completion dates for all recommendations and (2) your actions proposed or taken in response to recommendations 2 and 3. We would appreciate receiving your additional comments within 15 days of the final report date.

We appreciate the courtesies and cooperation of the Chief, Executive Office of Disaster Strategic Planning and Operations, the Office of Associate Administrator for Disaster Assistance, and the DCMS Operations Center representatives during the audit. If you have any questions concerning this report, please call me at (202) 205-[FOIA ex. 2] or Pamela Steele-Nelson, Director, Disaster Assistance Group, at (202) 205-[FOIA ex. 2].

APPENDIX I

LISTING OF EXCEPTIONS FROM SAMPLE LOAN REVIEW

Number	Loan #	Approved Amount	Disbursed Amount
1	[FOIA ex. 2]	\$ 155,900.00	\$ 80,000.00
2	[FOIA ex. 2]	\$ 111,800.00	\$ 72,500.00
3	[FOIA ex. 2]	\$ 150,000.00	\$ 135,000.00
4	[FOIA ex. 2]	\$ 101,100.00	\$ 101,100.00
5	[FOIA ex. 2]	\$ 85,600.00	\$ 10,000.00
6	[FOIA ex. 2]	\$ 182,900.00	\$ 109,000.00
7	[FOIA ex. 2]	\$ 83,100.00	\$ 83,100.00
8	[FOIA ex. 2]	\$ 33,800.00	\$ 33,800.00
9	[FOIA ex. 2]	\$ 89,700.00	\$ 86,300.00
10	[FOIA ex. 2]	\$ 168,600.00	\$ 119,500.00
11	[FOIA ex. 2]	\$ 98,000.00	\$ 96,200.00
12	[FOIA ex. 2]	\$ 40,000.00	\$ 20,000.00
13	[FOIA ex. 2]	\$ 48,600.00	\$ 10,000.00
14	[FOIA ex. 2]	\$ 48,100.00	\$ 10,000.00
15	[FOIA ex. 2]	\$ 128,300.00	\$ 118,300.00
16	[FOIA ex. 2]	\$ 90,600.00	\$ 66,900.00
17	[FOIA ex. 2]	\$ 75,300.00	\$ 75,300.00
18	[FOIA ex. 2]	\$ 80,900.00	\$ 80,900.00
19	[FOIA ex. 2]	\$ 150,000.00	\$ 75,000.00
20	[FOIA ex. 2]	\$ 108,000.00	\$ 108,000.00
21	[FOIA ex. 2]	\$ 68,300.00	\$ 68,300.00
22	[FOIA ex. 2]	\$ 23,000.00	\$ 10,000.00

23	[FOIA ex. 2]	\$ 79,800.00	\$ 79,800.00
24	[FOIA ex. 2]	\$ 202,200.00	\$ 86,000.00
25	[FOIA ex. 2]	\$ 104,300.00	\$ 74,300.00
26	[FOIA ex. 2]	\$ 187,700.00	\$ 137,900.00
27	[FOIA ex. 2]	\$ 68,800.00	\$ 50,500.00
28	[FOIA ex. 2]	\$ 97,000.00	\$ 76,100.00
29	[FOIA ex. 2]	\$ 81,400.00	\$ 81,400.00
		\$ 2,942,800.00	\$ 2,155,200.00



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Date:

To: Debra S. Ritt
Assistant Inspector General for Auditing

Thru: Steven G. Smith
Chief, EODSPO

From: Herbert L. Mitchell
Associate Administrator
Office of Disaster Assistance

Subject: OIG Draft Report – The Audit of Borrower Eligibility for Gulf Coast
Disaster Loans (Project No. 8407)

We have reviewed the draft audit report regarding The Audit of Borrower Eligibility for Gulf Coast Disaster Loans. The objective of the audit was to determine whether the Small Business Administration (SBA) had controls in place to prevent ineligible applicants from receiving disaster loans for properties that were not their primary residences. The Office of Disaster Assistance (ODA) would like to thank the OIG for the opportunity to respond to the Draft Report.

I. OIG’s interpretation of ODA’s SOP 50 30 5, specifically, paragraph 19, is not accurate.

The audit report makes an erroneous conclusion as to what is required by a loan officer in determining primary residence eligibility. Contrary to the plain meaning of the language in this paragraph, it appears from the statements and conclusions in the audit that OIG is viewing Paragraph 19 as an all inclusive list requiring that all factors listed be present in order to find eligibility as a primary residence. This is evidenced by the third paragraph of the RESULTS IN BRIEF section of the draft report. The paragraph reads: “In determining primary residence eligibility, ODA did not follow policy guidance, which directs loan officers to check relevant homestead exemption databases, voter registration records, or Federal tax returns. Instead, ODA reviewed the National Emergency

Management Information System (NEMIS), maintained by the Federal Emergency Management Agency (FEMA), which shows only occupancy data, and may be dated.”

It is further evidenced by the fact that the report indicates that 29 out of 35 loans reviewed or 83 percent did not include all the factors listed in Paragraph 19.

The SOP does not require all listed factors be applied to a primary residence eligibility determination, nor is it an inclusive list of all factors that can be applied. Particularly in section 19 a(2), guidelines are offered if a primary residence is not easily determined from reviewing the information contained in the application processing file.

The SOP states:

19. PRIMARY RESIDENCE ELIGIBILITY

Although some applicants may have more than one residence, for SBA disaster loan eligibility purposes, an applicant can have only one primary residence [see limited exception at subparagraph 13.n.(2)].

a. Determination of a Primary Residence.

- (1) For either a homeowner or a renter, a damaged residence (e.g., house, apartment, condominium, manufactured home, etc.) is eligible only if it is the applicant's primary residence.
- (2) Generally, every applicant has only one primary residence. This becomes an eligibility issue when the applicant owns more than one piece of real property, or rents more than one apartment or home simultaneously. In these cases, the information in the loan application package will frequently provide the necessary explanations. For example, if an application indicates ownership of two residences, but one of them is clearly substantiated by Federal Income Tax Returns (FTR) as rental income property, no further inquiry is necessary to establish the other home as the primary residence. However, if you cannot readily determine which is the applicant's primary residence use the following factors.
 - (a) An applicant has filed for homestead exemption or similar filing in those states that permit these filings. Similarly, in some tax jurisdictions, an applicant's home may be taxed at a preferred rate based on owner-occupancy status, which confirms primary residence status.
 - (b) Address used for voting purposes.
 - (c) Address used for identifying the school district to which children are assigned.
 - (d) Address used on FTR.

- (e) The residence used the greatest percentage of the year.
- (f) Other similar **factors**.

Any one of these factors can contribute to, or fully justify, a primary residence determination. In addition, sub-section (f) authorizes the use of “Other similar factors” which guidance and training to loan officers defines as including FEMA NEMIS Reports (which verifies both ownership and occupancy).

The inclusion of sub-section (f) in the list, and the very nature of disaster lending, makes a conclusion that the SOP requires all of the factors to be applied to a primary residence determination inappropriate. That sub-section (f) invites the identification of other factors, and the fact that the availability of the data on listed factors will vary greatly from among the over 55 jurisdictions in which ODA makes loans, is indicative of the paragraph’s meaning to offer options for making use of available information to make a determination.

In addition, in the Loan Officer Home Loan Processing Module, SBA instructs Loan Officers to utilize NEMIS for determining primary residences.

II. It appears that the Legend of Exception provided by the OIG concludes that because several of the accounts reviewed had multiple properties flood mapped, that this should have been an indicator of eligibility problems. This is an incorrect assumption.

Paragraph 51 of the Disaster Assistance Program SOP requires the flood mapping of relocation properties purchased after the disaster, temporary addresses if personal property funds are being allowed, and additional collateral properties (including businesses if the RE is unavailable or not owned by the applicant). Accordingly, merely finding more than one address, per application, that was subject to flood mapping is not a basis for drawing the conclusion that the primary residence was in question. To fully understand the reason for multiple properties being flood mapped, a more thorough review of each file must be completed. For example, of the files audited, ten properties were flood mapped because they were temporary addresses; five properties were determined to be properties the borrowers were relocating to; and seven of the properties were additional addresses owned by the applicants; and one was a commercial property used as additional collateral.

III. OIG Use of Commercial Services and External Web Sites for Verification Purposes

In conducting this audit the OIG used residence addresses reported in the Louisiana voter registration and homestead exemption databases. It is possible that the results that the OIG received from these sources at the time of their review would have been different from when ODA originally processed these loans. Reasons for any such differences could

include: relocations, legitimate changes of primary residence or other facts and circumstances that may have occurred in the intervening years since approval.

Additionally, ODA loan officers did not have access to these databases while processing the Gulf Coast Hurricane files.

OIG also suggests that ODA utilize Choice Point or Equifax credit bureau databases. It is ODA's understanding that these databases merely verify ownership, not residency. FEMA, through NEMIS, currently utilizes Choice Point as part of their identity ownership verification check and to confirm address verification data.

The expectation that this data should have contributed to the initial eligibility decision is speculative. Also the conclusions made based upon findings in evidence when the audit was completed versus the time of application are of questionable value and relevance.

ODA knows the importance of determining eligibility for the disaster loan program. Our Processing and Disbursement Center (PDC) has recently taken the following steps to help address how loan officers establish primary residence eligibility:

1. Issued Application Processing Memo #08-13, Primary Residence Determination dated December 17, 2008 was issued to PDC Loan Processing Staff.
2. Conducted Eligibility Training on February 11, 2009, at the PDC with approximately 260 loan officers attending to review, in part, How to Determine Primary Residence. The training included:
 - Primary Residence Eligibility, Paragraph 19, SOP
 - Ineligible Applicants/Property, Paragraph 15 and 32, SOP
 - Review of Application Processing Memo #08-13, Primary Residence Determination
 - Indicators of possible Primary Residence eligibility issues for Home Loans (Spotting and reconciling conflicting indicators).
 - Factors to consider if you cannot readily determine primary residence under Paragraph 19, SOP.
 - SOP Paragraph 88 b and c, Eligibility for Renters, and Establishing Real Estate Eligibility for Unsecured Loans.

As part of this response, ODA is also including two attachments:

Attachment 1 –Legend of Exception Excel spreadsheet that includes a detailed response to each specific exception noted in the OIG findings for each application number. Of this sampling ODA has agreed with 12 and disagreed with 17 of OIG's determinations.

Attachment 2 – copy of PDC Application Processing Memo #08-13, titled "Primary Residence Determination" dated December 17, 2008.

OIG RECOMMENDATIONS AND AGENCY RESPONSE

1. *Instruct loan officers to follow the SOP requirements for residency verification until a revised method is developed.*

ODA Response: ODA agrees to instruct the loan officers to follow the SOP requirements for residency verification. ODA has previously provided instructions and training to all loan officers of the current requirements of the SOP in this matter (memo attached).

2. *Revise its current procedures for verifying an applicant's primary residence to ensure that a more reliable method is used than that provided in the SOP. For example, ODA should consider using either Choice Point or Equifax databases.*

ODA Response: ODA agrees to research alternative methods of determining and verifying an applicant's primary residence to see if a revised procedure would be more reliable.

3. *Request remittance from HUD for the \$19,000 associated with the Road Home grant that duplicated disaster benefits awarded under the SBA loan.*

ODA Response: ODA partially agrees. ODA agrees that there was an error in the DOB calculation. ODA has requested the loan file from the servicing office in order to re-evaluate the eligibility and grant information. ODA agrees to collect any duplicated assistance from the appropriate party, which may be the borrower, not HUD.

[FOIA ex. 2]- Audit of Borrower Eligibility for Gulf Coast Disaster Loans response final draft

[FOIA ex. 2]



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Date: March 5, 2009

To: Debra S. Ritt
Assistant Inspector General for Auditing

From: Steven G. Smith
Chief, Executive Office of Disaster Strategic Planning
and Operations

Subject: OIG Draft Report — The Audit of Borrower Eligibility
for Gulf Coast Disaster Loans (Project No. 8407)

I have reviewed the draft report regarding the Audit of Borrower Eligibility for Gulf Coast Disaster Loans and the response from the Office of Disaster Assistance. The ODA response is complete and on point. In the conduct of this audit it appears that OIG made assumptions that were not in accordance with SOP and then audited to these assumptions rather than to SOP. If auditors disagree with the soundness of the SOP itself, an explanation as to why, and a recommendation to review and justify the SOP is warranted.

As it is currently presented the draft report generates a misleading conclusion that ODA did not verify residency on 83% of loans when in fact residency for many of these loans was verified in compliance with SBA policy

I recommend against the release of this report with the finding as currently presented.

EODSPO will work with ODA to implement the recommendations in this report and to insure a more comprehensive and statistically valid annual quality assurance review that will include a residency verification component.

In addition to the corrective steps outlined in the ODA response, my office and ODA are continuously exploring means to automate data searches within the Disaster Credit Management System with the twofold goal of increasing loan processing throughput during surge conditions such as created by the 2005 Gulf hurricanes and improving the accuracy of the

data employed during underwriting. Your suggestions regarding Choice Point and other databases will be factored into this search.

Attachments.

Copy to:

Acting Administrator

Chief of Staff

Associate Administrator Disaster Assistance

APPENDIX IV. AP MEMORANDUM 08-13



U.S. SMALL BUSINESS ADMINISTRATION
 Disaster Assistance
 Processing and Disbursement Center
 14925 Kingsport Road
 Fort Worth, Texas 76155

(817)868-2300
 1(800)366-6303
 Hearing Impaired
 TDD (817)267-4688

Date: December 17, 2008

To: Application Processing

Thru: Elsie Collins
 Director Loan Processing

From: Doug Stevens
 Supervisory Loan Specialist

Subject: Primary Residence Determination
 Application Processing Memo # 08-13

The following memo provides additional guidance concerning primary residence eligibility.

Please do not confuse establishing ownership of real property with primary residence eligibility as these are two separate issues.

An applicant can own more than one residence and it is the loan officer's responsibility to determine which one is the applicant's primary residence. There are various web sites and sources that loan officer's can use to confirm ownership of real property such as ChoicePoint, Netroline.Com or other similar reliable sources. Although these sources can provide evidence the applicant owns specific real property they do not confirm the primary residence if the applicant owns more than one piece of real property.

There may be other indicators in the case file that brings primary residence into question. The loan officer must evaluate and provide comments in the Justification Tab in DCMS when the address shown on the Credit Bureau Report (CBR) and/or Federal Tax Returns, etc are different than indicated as the primary residence address on the application. Primary residence determination must be fully documented and justified.

SOP 50 30 6

Paragraph 19: PRIMARY RESIDENCE ELIGIBILITY

Although some applicants may have more than one residence, for SBA disaster loan eligibility purposes, an applicant can have only one primary residence [see limited exception at subparagraph 13.n.(2)].

a. Determination of a Primary Residence.

- (1) For either a homeowner or a renter, a damaged residence (e.g., house, apartment, condominium, manufactured home, etc.) is eligible only if it is the applicant's primary residence.
- (2) Generally, every applicant has only one primary residence. This becomes an eligibility issue when the applicant owns more than one piece of real property, or rents more than one apartment or home simultaneously. In these cases, the information in the loan application package will frequently provide the necessary explanations. For example, if an application indicates ownership of two residences, but one of them is clearly substantiated by Federal Income Tax Returns (FTR) as rental income property, no further inquiry is necessary to establish the other home as the primary residence. However, if you cannot readily determine which is the applicant's primary residence use the following factors.
 - (a) An applicant has filed for homestead exemption or similar filing in those states that permit these filings. Similarly, in some tax jurisdictions, an applicant's home may be taxed at a preferred rate based on owner-occupancy status, which confirms primary residence status.
 - (b) Address used for voting purposes.
 - (c) Address used for identifying the school district to which children are assigned.
 - (d) Address used on FTR.
 - (e) The residence used the greatest percentage of the year.
 - (f) Other similar factors.

If you have any questions please consult with your SLO.

APPENDIX V. ODA's LEGEND OF EXCEPTIONS

OIG AUDIT – PROJECT 8407 Legend of Exceptions													
	Application Number	Loan Number	Borrower	Approved Loan Amount	Disbursed Amount	Date Approved	Disaster	Not Primary	Multiple Properties Flood Mapped	Fraud Referral	FTR Address	Not on Voter Regist	Not on Home-Stead Exemp
1	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$155,900	\$80,000	02/25/06	LA-00002	X	X	[FOIA ex. 7(A)]	X	X	X
<p>SBA Response: NEMIS report verified eligibility via property tax bill and driver's license; replacement housing and rental assistance funds were awarded. FTR and CBR both show address in Gretna, LA. LO noted in justifications that 2 homes were owned - applicant lived in this damaged property and spouse lived in Gretna, LA. Application states separated and that damaged property was primary. Applicant did not list additional property on application but offered as additional collateral needed to fully secure the loan. Upon further review, this additional property was used for tax filing and other purposes. No application in NEMIS for spouse at any address. No other info requested or provided. SBA agrees. Specific target training provided on February 11, 2009.</p>													
2	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$111,800	\$72,500	02/03/06	LA-00002	X	X	[FOIA ex. 7(A)]	X	X	X
<p>SBA Response: Temporary rental address was flood mapped because loan funds included personal property, in accordance with SOP.</p> <p>NEMIS verified eligibility via structural insurance and utility bill. FTR and CBR both show address in Metairie, LA (last dated 05/2004). Temp address after disaster is in Baton Rouge, LA. Applicant worked in New Orleans, LA. Damaged property was purchased in 2004, per application and recorded deed (dated August 23, 2004 and recorded May 2, 2006). Applicant purchased for \$58.0 with approximate current value on 5C of \$68.0. LV lists pre-disaster value of \$230.0 and states home was new construction which was completely washed away. Applicant also listed mortgage of approximately \$250.0 and indicated flood insurance proceeds of \$247.0 used to voluntarily pay off the existing mortgage. Insurance assignment in scanned docs indicates insurance recoveries were for the damaged property. There does not appear to be any other real estate owned. LO determined eligibility based on NEMIS and no other real estate ownership. Applicant may have purchased the land and constructed a custom home on the property prior to the disaster. SBA agrees. Specific target training provided on February 11, 2009.</p>													
3	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$150,000	\$135,000	01/12/06	LA-00002		X	[FOIA ex. 7(A)]		X	X
<p>SBA Response: Relocation/collateral property purchased as replacement for disaster damaged property was flood mapped in accordance with SOP.</p> <p>Eligibility was not established for this file. NEMIS verified eligibility as renter via driver's license. Scanned docs includes an unrecorded copy of deed which transfers ownership of structure only (not including real estate) from applicant's estranged husband to this applicant dated 03/14/2006 (after the disaster). No other ownership doc provided, nor was a copy of underlying deed. Damaged property later deleted as collateral because applicant did not own land. LO used CBR to establish eligibility which includes both street address and PO Box in Grand Isle. Spouse also approved for home in Gretna, LA and business at this damaged property address (M&E only). Both of his loans were cancelled at borrowers' request. SBA agrees. Specific target training provided on February 11, 2009.</p>													
4	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$101,100	\$101,100	06/27/06	LA-00004	X	X	[FOIA ex. 7(A)]	X	X	X

SBA Response: Additional property owned by the applicants and taken as collateral was flood mapped in accordance with SOP.

Loan was originally declined as not primary residence. Application indicated primary residence "no" which was crossed out and primary "yes" was checked. Chron states that applicant said damaged property was 2nd home. All correspondence, CBR, FTR, etc use property in Thibodaux, LA as mailing address and applicants listed the Thibodaux property as primary residence in asset section of application. NEMIS determined eligibility via mortgage coupon and utility bill. Applicants requested reconsideration and stated that [FOIA ex. 6, 7(C)] uses the damaged property approximately 50-75% of the year because of his work offshore. [FOIA ex. 6, 7(C)] lives full time at the Thibodaux property. LO used NEMIS conversation with applicant, and several months of utility bills to determine eligibility. It does not appear this was the applicant's primary address as husband and wife cannot have separate primaries. SBA agrees. Specific target training provided on February 11, 2009.

5	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$85,600	\$10,000	11/26/06	LA-00002	X	X	[FOIA ex. 7(A)]	X	X	X
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SBA Response: Commercial property owned by the applicants and taken as collateral was flood mapped in accordance with SOP.

There are 5 companion loans for this applicant which originally totaled approximately \$1M. He owns a beach club, a motel, an apartment building, and a lawn service in Grand Island and other rental and business properties in Golden Meadow, LA. NEMIS determined property as eligible and awarded home repair, rental assistance, and misc. funds to this applicant. Applicant uses business(es) as his primary mailing address. LO spoke with applicant's accountant who indicated [FOIA ex. 6, 7(C)] lives very frugally and loan officer deemed it reasonable that applicant occupied the damaged property. SBA agrees. Specific target training provided on February 11, 2009.

6	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$182,900	\$109,000	03/13/06	LA-00002	X	X	[FOIA ex. 7(A)]	X	X	X
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SBA Response: Temporary rental address was flood mapped because loan funds included personal property, in accordance with SOP. It appears, on further review of the file, that the other property may actually be the primary residence of the applicant, as the property address appears on 2003-04 FTRs and CBR lists both addresses.

LO used NEMIS as preliminary verification of eligibility. NEMIS had verified the property as eligible and allocated emergency rental expenses only. Applicant carried both flood and hazard insurance on the property. The applicant did not list any other properties owned on her application. LO did not address the discrepancy in the addresses. It appears the damaged property is a 2nd home and the Addis, LA property is the primary residence (ownership undetermined). SBA agrees. Specific target training provided on February 11, 2009.

7	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$83,100	\$83,100	04/18/06	LA-00002	X	X	[FOIA ex. 7(A)]	X	X	X
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SBA Response: Temporary rental address was flood mapped because loan funds included personal property, in accordance with SOP.

NEMIS had not verified eligibility and applicant was listed as renter. No funds were awarded by FEMA. LO used copy of deed to establish eligibility. Applicant uses PO Box in Robert, LA for mailing address. Most Grand Isle residents appear to use PO boxes. Voter registration roles and homestead exemption lists are generally not accessible or used to determine eligibility unless eligibility issues are in question. CBR listed PO Box. No other residential real estate was listed on application. Applicant received both flood and hazard insurance recoveries for real estate and personal property on the damaged property. It appears LO exercised due diligence in eligibility determination. Upon further review, the disaster damaged property is approximately 142 miles from the applicants mailing address and 157 miles to the applicant's employment (vs 54 miles from Robert, LA). It does not appear reasonable that the damaged property is the applicant's primary residence. SBA agrees. Specific target training provided on February 11, 2009.

8	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$33,800	\$33,800	12/29/05	LA-00002		X	[FOIA ex. 7(A)]		X	
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SBA Response: Relocation/collateral property purchased as replacement for disaster damaged property was flood mapped in accordance with SOP.

The CBR and 2003/04 FTRs report the mailing address as a PO Box in Grand Isle (addresses listed on CBR also report the relocation address and PO Box with dates after the disaster). Flood insurance recoveries were also received for the disaster. Unable to access the homestead exemption roles to determine if the damaged property is registered as the applicants homestead. Damaged property and adjacent lot were the only properties listed as owned by the applicants on their loan application. Voter registration roles are not an item the processing loan officers generally have access to. Based on the information noted, the damaged property was the primary residence at the time of the disaster. SBA disagrees.

9	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$89,700	\$86,300	10/10/06	LA-00002		X	[FOIA ex. 7(A)]		X
<p>SBA Response: Temporary rental address was flood mapped because loan funds included personal property, in accordance with SOP.</p> <p>Homestead exemption information is not an item the processing loan officers often have access to. Eligibility was determined via NEMIS. CBR and FTRs for 2003 and 2004 had Grand Isle address or PO Box. Unable to access the voter registration roles to determine if applicant is registered at this address. Based on the information noted, the damaged property was the primary residence at the time of the disaster. SBA disagrees.</p>												
10	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$168,600	\$119,500	03/09/06	LA-00002	X	X	[FOIA ex. 7(A)]	X	
<p>SBA Response: Additional property flood mapped is real estate taken as additional collateral. As this property address is the same as the mailing address and 2003-04 FTR address, LO should have investigated further.</p> <p>Eligibility not addressed in file. Applicant did not list any other properties owned on the application. NEMIS determined the property as eligible. Only immediate needs funds were awarded due to the availability of insurance recovery funds. The LO did not address the alternate address used for mailing address and 2003-04 FTRs. When it was determined additional property was owned (same as property used for mailing), LO should have investigated further. SBA agrees. Specific target training provided on February 11, 2009.</p>												
11	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$98,000	\$96,200	12/08/05	LA-00002		X	[FOIA ex. 7(A)]		X
<p>SBA Response: Temporary address the FEMA trailer was located on after the disaster was flood mapped because loan funds included personal property, in accordance with SOP.</p> <p>LO used NEMIS as verification of eligibility. NEMIS had verified the property as eligible and allocated rental assistance and a replacement trailer. The applicant did not list any other properties as owned on their application. Applicants advised they owned the manufactured home but were allowed to live on land owned by their employer, rent-free. FTRs reported PO Box in Grand Isle and CBR reported both PO Box and damaged property address. Both applicants work in Grand Isle. No additional verification of ownership of the destroyed manufactured home was requested. Since applicants did not own the land, they would not have been on the homestead exemption list. SBA disagrees.</p>												
12	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$40,000	\$20,000	12/01/05	LA-00002		X	[FOIA ex. 7(A)]		X
<p>SBA Response: Temporary rental address was flood mapped because loan funds included personal property, in accordance with SOP.</p> <p>The applicants indicated they did not own the real estate, applied as renters to FEMA and SBA. LV verified losses to real estate (structure had been bulldozed and applicant gave permission to LV for inspection without applicant present) but no damages were claimed by applicant or allocated. Loan was for personal property only. Initial chron entry in file indicates applicant stated they lived at property rent-free. LO verified occupancy with copy of drivers license issued prior to the disaster. SBA disagrees.</p>												
13	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$48,600	\$10,000	01/24/06	LA-00002		X	[FOIA ex. 7(A)]		
<p>SBA Response: Temporary rental address was flood mapped because loan funds included personal property, in accordance with SOP. The loan officer used insurance documents to verify eligibility which included damaged property address. SBA disagrees.</p>												
14	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$48,100	\$10,000	02/16/06	LA-00002			[FOIA ex. 7(A)]		X
<p>SBA Response: Eligibility was not addressed. NEMIS determination remains pending. Applicants own multiple properties and alternate property is used for mailing address, including FTRs and CBRs. Son lives part time in a property owned by applicants which is next door to property used as mailing address. Damaged property had highest FMV per application and applicants maintained insurance on the property. Applicants also have business loan for rental properties. It does not appear eligibility has been established. SBA agrees. Specific target training provided on February 11, 2009.</p>												

15	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$128,300	\$118,300	11/08/05	LA-00002			[FOIA ex. 7(A)]			X
<p>SBA Response: Homestead exemption information is not an item the processing loan officers often have access to. The loan officer determined eligibility by NEMIS. The 2004 FTR also had the damaged property address and a current pay stub used a PO Box in Grand Isle. Do not have access to voter registration roles to determine if applicant was registered to vote based on damaged property address at the time of the disaster. SBA disagrees.</p>													
16	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$90,600	\$66,900	03/09/06	LA-00002		X	[FOIA ex. 7(A)]	X		X
<p>SBA Response: Temporary rental address was flood mapped because loan funds included personal property, in accordance with SOP.</p> <p>Eligibility was not addressed in file. NEMIS determined property as eligible, CBR reported damaged property address, and applicants received insurance recoveries for the property, and provided copy of title to manufactured home. FTRs show PO Box in Grand Isle (cover sheet for 2004 transcript shows address after the disaster but actual transcript used PO Box). Use of PO Box as mailing address is common in this area. SBA disagrees.</p>													
17	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$75,300	\$75,300	01/29/06	LA-00002		X	[FOIA ex. 7(A)]			X
<p>SBA Response: Temporary rental address was flood mapped because loan funds included personal property, in accordance with SOP. Relocation/collateral property purchased as replacement for disaster damaged property was flood mapped in accordance with SOP.</p> <p>Applicants did not own the land where their manufactured home was located and so would not be on the homestead exemption list. Eligibility was determined by NEMIS. FTRs show PO Box in Grand Isle and CBR shows damaged property address. SBA disagrees.</p>													
18	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$80,900	\$80,900	04/11/06	LA-00002		X	[FOIA ex. 7(A)]			X
<p>SBA Response: Additional property flood mapped is relocation property (leased space a couple of spaces from the damaged property). Replacement manufactured home to be used as collateral.</p> <p>Applicant did not own the land where her manufactured home was located and so would not be on the homestead exemption list. Copy of driver's license shows both the damaged property and PO Box in Grand Isle. Applicant works in Grand Isle. All other documents include PO Box in Grand Isle. SBA disagrees.</p>													
19	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$150,000	\$75,000	02/28/06	LA-00002			[FOIA ex. 7(A)]		X	
<p>SBA Response: Voter registration roles are not an item the processing loan officers generally have access to and applicant may not have been registered to vote. Eligibility was determined by NEMIS. CBR, FTRs, and SSI award letter all list both the damaged property and PO Box in Grand Isle. Insurance documents also list the damaged property address. SBA disagrees.</p>													
20	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$108,000	\$108,000	03/16/06	LA-00002	X	X	[FOIA ex. 7(A)]	X		X
<p>SBA Response: Temporary address was flood mapped because loan funds included personal property, in accordance with SOP. After further review, it appears this was actually the applicant's primary residence.</p> <p>LO used NEMIS as eligibility determination. FTRs, CBR, and all other information used address in Houma as mailing address. Applicant also listed the same address in Houma as mailing address after the disaster. No indication this was discussed with the applicant. Applicant listed himself as separated on the application which was also not discussed. 2003-04 FTRs were filed jointly with the address in Houma which appears to be a rented residence. No other properties were listed as owned on the application. SBA agrees. Specific target training provided on February 11, 2009.</p>													

21	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$68,300	\$68,300	03/17/06	LA-00002		X	[FOIA ex. 7(A)]			
SBA Response: Temporary rental address was flood mapped because loan funds included personal property, in accordance with SOP. Eligibility was determined by NEMIS. CBR has damaged property address and FTRs have PO Box in Grand Isle. SBA disagrees.													
22	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$23,000	\$10,000	11/10/05	LA-00002			[FOIA ex. 7(A)]			X
SBA Response: Homestead exemption information is not an item the processing loan officers often have access to. CBR, FTRs and mailing address on insurance all show PO Box in Grand Isle. Insurance coverage included loss of use. Death certificate for applicants spouse from 2004 lists the damaged property address. SBA disagrees.													
23	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$79,800	\$79,800	03/31/06	LA-00002		X	[FOIA ex. 7(A)]			X
SBA Response: Temporary rental address was flood mapped because loan funds included personal property, in accordance with SOP.													
Homestead exemption information is not an item the processing loan officers often have access to. Eligibility was determined by NEMIS and insurance documents. FTR and other docs in scanning show PO Box in Grand Isle. Both applicants work in Grand Isle. Only other property noted as owned as vacant lots adjacent to damaged property. Mrs. CBR shows Capital Lane with no street number. SBA disagrees.													
24	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$202,200	\$86,000	12/27/05	LA-00002			[FOIA ex. 7(A)]		X	
SBA Response: CBRs and FTRs reported Grand Isle PO Box as mailing address, and applicants received insurance recoveries for the property. The applicants own an additional property in Baton Rouge which is over 150 miles away. Both applicants work in Grand Isle. Voter registration information is not an item the processing loan officers often have access to and SBA applicants are not required to be registered voters. SBA disagrees.													
25	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$104,300	\$74,300	12/23/05	LA-00002		X	[FOIA ex. 7(A)]			X
SBA Response: Temporary rental address was flood mapped because loan funds included personal property, in accordance with SOP.													
LO used CBR address and NEMIS as verification of eligibility. NEMIS awarded rental assistance and replacement housing. Applicants also received insurance recoveries for the damages. Applicant has had 3 prior SBA disaster loans. 2 of these loans have been paid in full. The remaining business loan remains open and current. The business loan, approved 12/27/2002, was an economic injury only loan for [FOIA ex. 6, 7(C)] shrimping business. The address of the business is our damaged property address. FTRs report the PO Box in Grand Isle as their mailing address and CBRs report both the damaged property address and PO Box. Damages were to the manufactured home. Land was leased and so would not have deed or have homestead exemption. SBA disagrees.													
26	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$187,700	\$137,900	02/20/06	LA-00002		X	[FOIA ex. 7(A)]	X	X	X
SBA Response: Relocation/collateral property purchased as replacement for disaster damaged property was flood mapped in accordance with SOP.													
The applicants' primary residence in Denham, LA was burned down prior to the disaster. The damaged property had been a rental property previously but applicants had moved into this property pre-disaster until their home was rebuilt. They did not apply for any damages to property in Denham. The damaged property was considered their primary residence at the time of the disaster. Property was primary residence per NEMIS. Most of the documents in scanned docs reported the Denham address as the primary residence. Applicants did report rental income and expenses in 2003-04 on FTRs. The LO indicated CBR address used to determine eligibility. Applicants owned the damaged structure only - leased land, so would not have homestead exemption. SBA disagrees.													

27	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$68,800	\$50,600	02/23/06	LA-00002			[FOIA ex. 7(A)]			X
SBA Response: Damaged property was manufactured home on leased land. Employer was also landlord. Applicant allowed to have his home on property rent-free while working for landlord as shrimper. Applicant provided copy of voter registration, utility bill and fishing license with damaged property address which all established occupancy. Ownership of the damaged manufactured home was not provided and was not properly established. SBA agrees. Specific target training provided on February 11, 2009.													
28	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$97,000	\$76,100	12/08/05	LA-00002			[FOIA ex. 7(A)]		X	
Voter registration roles are not an item the processing loan officers generally have access to. Eligibility determined by NEMIS. SBA disagrees.													
29	[FOIA ex. 2]	[FOIA ex. 2]	[FOIA ex. 6, 7(C)]	\$81,400	\$81,400	12/16/05	LA-00002			[FOIA ex. 7(A)]	X		X
FTR and CBR used Marrero, LA as mailing address. Applicant also owns a home at this location. File contains no justifications and only chron is to relay recommendation. NEMIS determined the property was eligible. Unable to determine what loan officer used for eligibility determination. SBA agrees. Specific target training provided on February 11, 2009.													