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Congress of the United States
House of Representatives
Washington, DC 20515-3310

January 25, 2022

The Honorable Marcia Fudge
Secretary
U.S. Department of the Housing and Urban Development
451 7th Street S.W.
Washington, D.C, 20410

Dear Secretary Fudge:

I write today on behalf of Purple Heart Homes, Inc., a 501(c)3 charity organization headquartered in my district that has 13 other chapters in states across the country. Purple Heart Homes was founded in 2008 by my constituents, John Gallina, and the late Dale Beatty, both combat wounded veterans who experienced the support of their community firsthand after returning to Statesville, North Carolina from Walter Reed Medical Center. After returning home, local church groups and volunteers organized by the Iredell County Home Builders Association assisted Beatty's transition back to civilian life by building him a fully handicap accessible home. This act of kindness and community care was the genesis of Purple Heart Homes, which has since provided or renovated approximately 900 homes for service-connected disabled and aging veterans across the country.

During the course of their work seeking additional funding sources to help stably house service-connected disabled veterans, Purple Heart Homes has encountered a problem with HUD regulations relating to the Community Development Block Grant (CDBG) which are incorrectly disqualifying many service-connected disabled veterans from being served. Further, since HUD confusingly allows the use of any of three separate definitions of "income", veterans who are disqualified by grantees oftentimes are eligible for assistance under a CDBG funded project if a grantee were to simply change which approved income definition they use.

As you are aware, CDBG funded projects must fulfill one of HUD's National Objectives, in this case, benefitting low-and moderate income (LMI) individuals who make less than 80 percent of the Area Media Income (AMI). Disabled veterans who receive VA disability payments sometimes receive greater annual amounts from the VA than 80 percent of the local median income. This is especially true in rural and low-income areas where households may make less on average, because while AMI adjusts based on the locality, VA disability payments remain constant. In your home state of Ohio, a 100 percent disabled veteran who receives \$39,984.72¹ annually in VA disability

¹ <https://www.va.gov/disability/compensation-rates/veteran-rates/>

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payments may be disqualified for assistance through a CDBG funded project because their VA payments are greater than 80 percent of the Adams County AMI, which is \$37,150². Complying with HUD regulations that state the majority of any CDBG funded project must benefit LMI individuals, a local grantee using CDBG funds to assist veterans could disqualify that disabled veteran in Adams County, OH from receiving assistance because their annual VA disability payments exceed the local AMI. Even more troubling is that this issue only occurs in lower income communities, where 80 percent of the AMI is less than the maximum annual VA disability payment of \$39,984.72. For example, a disabled veteran who also receives the maximum annual VA disability payment but lives in San Francisco, where 80 percent of the AMI is \$102,450³ would always qualify for assistance from a CDBG project.

To make matters worse, when CDBG grantees disqualify a disabled veteran for the reasons stated above, according to on the ground service providers, the grantees themselves are often unaware that if they simply used a different government agency's definition of income these veterans would qualify. CDBG grantees can elect to use one of three separate definitions for "income" when they design their programs⁴. These include the Section 8 definition (which counts VA disability payments as income)⁵, the census definition (which counts VA disability payments as income)⁶, or the IRS adjusted gross income definition (which does NOT count VA disability payments as income)⁷. Simply by choosing to use the IRS definition of income, grantees would be able to assist veterans who are otherwise disqualified because of their VA disability payments under the other two definitions.

Clearly, the intent behind the LMI National Objective in the CDBG program was to ensure that federal community development funds benefited those who needed assistance the most, not to erroneously disqualify our nation's disabled heroes. According to preliminary data compiled by Purple Heart Homes, in cooperation with the U.S. Department of Veterans Affairs and a number of national housing advocacy organizations, there are potentially hundreds of thousands of disabled veterans across the country whose VA disability payments are higher than 80 percent of AMI and could be mistakenly excluded from receiving assistance. This is further compounded when the veteran has an additional income source such as a pension or a part-time job. To resolve this issue, I request that the Department take the following steps:

- Host, and maintain on HUD Exchange, a best practices webinar or other type of virtual information session for grantees on how to best design programs that benefit disabled

² <https://www.huduser.gov/portal/datasets/il/il2021/2021summary.odn>

³ <https://www.huduser.gov/portal/datasets/il/il2021/2021summary.odn>

⁴ <https://www.hudexchange.info/sites/onecpd/assets/File/CDBG-National-Objectives-Eligible-Activities-Chapter-3.pdf>

⁵ <https://www.hud.gov/sites/documents/CALCULATINGATTACHMENT.PDF>

⁶ <https://www.census.gov/topics/income-poverty/income/about.html>

⁷ <https://www.irs.gov/individuals/information-for-veterans>

veterans, highlighting groups like Purple Heart Home's work and clarifying that grantees can take advantage of the differing income definitions allowed under the CDBG program to ensure our nations wounded veterans are not mistakenly disqualified;

- Require CDBG grantees to affirmatively state on their Consolidated Annual Performance and Evaluation Reports (CAPERs) that projects funded through the CDBG program have not disqualified disabled veterans from receiving assistance when these veterans would have qualified under another eligible income definition;
- Establish a data field on HUD's CPD Income Eligibility Calculator⁸ that asks whether the beneficiary is a disabled veteran, and alerts grantees that using the IRS adjusted gross income definition would not count VA disability payments as income; and
- Conduct an analysis of other HUD programs, online tools, and regulations that utilize income requirements for conflicting or unclear guidance which may inadvertently disqualify disabled veterans and report back to my office.

If you have any questions, please reach out to Connor Dunn at (202) 225-7502.

Sincerely,

A handwritten signature in blue ink that reads "Patrick T. McHenry". The signature is fluid and cursive, with the first name "Patrick" being the most prominent.

Patrick McHenry
Member of Congress

⁸ <https://www.hudexchange.info/incomecalculator/>