



Congress of the United States

November 8, 2023

Marion McFadden
Principal Deputy Assistant Secretary
U.S. Department of Housing and Urban Development
451 7th Street, NW
Washington, D.C. 20410

Dear Principal Deputy Assistant Secretary McFadden:

I write to respectfully request that the Department of Housing and Urban Development (HUD) revise current guidance regarding the inclusion and exclusion of income related to non-taxable Department of Veterans Affairs (VA) disability compensation.

In short, it has come to the attention of my office that, under existing regulations, periodic VA disability payments may be factored into the calculation of a household's income when determining certain forgivable loan amounts.¹ However, VA disability compensation is not considered as income for purposes of taxation, but rather as compensation for severe injuries or health conditions from active service in the U.S. Armed Forces. As such, the inadvertent inclusion of such payments as income has the unintended consequence of reducing critical federal funds for many veterans, particularly in times of disaster.

By way of background, in 2021 the Marshall Fire in Boulder County, Colorado, claimed over 1,000 homes and caused an estimated \$2 billion in total damages. Those who were at or below 150% of the area median income were eligible to apply for rebuilding grants in the form of forgivable loans, administered by the Colorado Department of Local Affairs' Housing Recovery Program. However, as the program utilizes a mix of state and federal funds and strictly adheres to HUD's income guidelines, the inclusion issue detailed above creates a significant obstacle for veterans impacted by the fire.

While I understand the need to include periodic amounts received from certain annuities, insurance payments, pensions, and similar periodic receipts, veterans disability payments should not be categorized in the same manner. Moreover, because veterans lump sum disability payments are already excluded from annual income calculations under the same Department guidance, prospective monthly amounts should be treated in the same manner.

¹Department of Housing and Urban Development. *HUD Occupancy Handbook*. Chapter 5: Determining Income & Calculating Rent. Exhibit 5-1: Income Inclusions and Exclusions.

Thank you for your prompt attention to this matter and for your dedication to improving the lives of our veterans.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Neguse", is positioned above the printed name.

Joe Neguse
Member of Congress