

Duplication of Benefits Standard Operating Procedures

Policy:

Section 312 of the Robert T. Stafford Disaster Assistance and Emergency Relief Act (42 U.S.C. 5155) prohibits any person, business concern, or other entity from receiving financial assistance with respect to any part of a loss resulting from a major disaster as to which he has received financial assistance under any other program or from insurance or any other source. In accordance with the Stafford Act, Disaster Recovery funds issued through the Department of Housing and Urban Development's Community Development Block Grant (CDBG) program may not be used for any costs for which other disaster recovery assistance was previously provided.

Financial assistance received from any organization that is provided for the stated purpose of housing repair is considered a Duplication of Benefit (DOB). This includes funding received for the express purpose of funding the gap between the amount that can be provided under the Program and the total amount of funding needed to participate. The policy is in accordance with Federal Register/ Vol. 78, No. 241/Monday, December 16, 2013.

The first step of the DOB calculation is to determine the amount of funds previously received to assist with disaster needs. Homeowners are required to disclose all sources of disaster recovery assistance received, and the Illinois Department of Commerce is required to verify the amount received.

The most common source of disaster recovery assistance comes from insurance, FEMA, and SBA. However, assistance may also come from non-profit organizations, faith based organizations, other disaster relief organizations, and other governmental entities.

Only funds received for structural repair are considered a duplication of benefits. Funds received for temporary housing, content, fences, etc. do not count toward the DOB. Certain expenditures are allowable costs and can offset monies received. However, the homeowner must provide documentation to support the expenditures. Below are some examples of allowable expenditures:

- Debris Removal
- Structural Repairs
- Septic or sewage system repair
- Well or other water system repair
- Heating, ventilating, and air conditioning systems
- Utilities (electrical, plumbing and gas systems) repair
- Entrance and exit ways from your home
- Temporary Housing (can only offset FEMA)
- Contractor Fraud
- Forced Mortgage Payment
- Essential Appliances (Refrigerator, Stove/Oven)
- Permits and Fees

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Below are some examples of unallowable expenditures:

- Non-essential Appliances (Washer/Dryer, Dishwasher, Microwave)
- Food, Clothes, Household goods
- Shed, Fence (any structure not under common roof)
- Funeral Costs
- Insurance Premiums
- Flatbed Trailers
- Day laborers paid by cash with no receipt

If documentation is provided by the homeowner verifying that the full amount of housing repair assistance previously received was used as intended, no deduction is made from the amount of CDBG Program funding for which the applicant is eligible.

If a homeowner used the money received for structural repair, the repairs can offset the duplication of benefits. The homeowner must provide documentation to prove that repairs were made. Acceptable documentation includes receipts for materials, contractor invoices, and receipts for permits. If a homeowner provides multiple receipts, the receipt calculator must be used.

Temporary housing can offset the duplication if the applicant received funds from FEMA and used some or all of the funds for temporary housing. However, if the homeowner received FEMA rental, that amount must be deducted from the receipts so that rental is not duplicated. Acceptable documentation includes lease agreement, payment receipts or letter from leasing agency.

Forced Mortgage payments can offset the duplication if the mortgage company forced payment. For example, if a homeowner's mortgage requires any insurance proceeds to be applied to reduce the lien balance, then the bank/mortgage holder (not the homeowner) has legal control over those funds. Therefore the homeowner is legally obligated to use insurance proceeds for that purpose and does not have a choice in using them for any other purpose, such as to rehabilitate the house. Alternatively, if a disaster affected homeowner chooses to apply insurance proceeds to reduce an existing mortgage, or requests that the lender demand payment, insurance proceeds would then be a duplication of benefits.

The homeowner must provide a letter on company letterhead, signed by an authorized representative, and state that the applicant was required to use their disaster funds to pay off/pay down the mortgage. Also, the applicant should provide any supporting documents; such as the check made out to the mortgage company and the homeowner and all correspondence with the mortgage company.

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Contractor Fraud can offset the duplication if the homeowner filed legal action against the contractor prior to applying for the program. The homeowner must provide a copy of the legal action report filed prior to the homeowner application. The homeowner should provide the scope of work signed by the contractor, payments and any other correspondence with the contractor or legal aid.

Procedures:

- 1) Identify Proceeds and Expenditures
 - a. Responsible Party
 - i. Grant Manager
 - b. Required Inputs
 - i. Property Owner Questionnaire
 - c. Required Outputs
 - i. None
 - d. Process Overview
 - i. The Grant Manager will review the Property Owner Questionnaire to ensure that the homeowner disclosed if funds were received and the contact information for the insurance agent. Also, ensure that the homeowner reported any expenditures.
- 2) Verification of Proceeds
 - a. Responsible Party
 - i. Grant Manager
 - b. Required Inputs
 - i. Consent and Release Form
 - ii. Property Owner Questionnaire
 - c. Required Outputs
 - i. DOB Worksheet
 - ii. Insurance Verification Form
 - d. Process Overview
 - i. The Grant Manager will verify that a Consent and Release form was signed by the homeowner.
 - ii. The Grant Manager will verify with the FEMA Feed, SBA Feed, and NFIP Feed what if any funds were received.
 - iii. The Grant Manager will fax/email the agent the Insurance Verification Form three times in a period of 14 days, if needed. If the Grant Manager does not received verification from the agent within 14 days, the amount provided by the homeowner will be used.
 - iv. The Grant Manager will complete the DOB worksheet.

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- 3) Verification of Expenditures
 - a. Responsible Party
 - i. Grant Manager
 - ii. Program Manager
 - b. Required Inputs
 - i. Consent and Release Form
 - ii. Property Owner Questionnaire
 - iii. Documentation from Homeowner
 - c. Required Outputs
 - i. DOB Worksheet
 - ii. Receipt Calculator
 - d. Process Overview
 - i. The Grant Manager will contact the homeowner for appropriate documentation.
 - ii. The Grant Manager will sign and date the DOB Worksheet once all supporting documents are received
 - iii. The Program Manager will ensure the grant manager calculated DOB correctly and all documentation is present.