



HAZARD MITIGATION ASSISTANCE (HMA) TOOL FOR IDENTIFYING DUPLICATION OF BENEFITS

*Hazard Mitigation Grant Program, Pre-Disaster Mitigation
Program, Flood Mitigation Assistance Program*

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FEMA

INTRODUCTION

What is a Duplication of Benefits under FEMA's Hazard Mitigation Assistance Programs?

Title 42 U.S.C. 5155 (Section 312 of the Robert T. Stafford Disaster Assistance and Emergency Relief Act, as amended), Federal Emergency Management Agency regulations (44 Code of Federal Regulations (CFR), Subpart N, and Parts 79 and 80) and FEMA Hazard Mitigation Assistance (HMA) Unified Guidance prohibit the use of Federal disaster-related funds when assistance from another source has been received, will be received or is reasonably available for the same purpose, resulting in an amount that exceeds the total need for that purpose. When this situation occurs, it is referred to as a duplication of benefits (DOB).

FEMA's HMA programs provide funds to help property owners whose properties have been damaged by or are vulnerable to disaster events. Other forms of assistance may also be available – for example, insurance payments, emergency disaster repair grants and loans, donations, and even previous HMA grants – that provide for the same need. The availability of a wide range of assistance leads to the potential for DOB. This guide provides instruction on what constitutes DOB in the use of HMA funds for property mitigation. It also gives direction regarding verification procedures and actions that can be taken to ensure that DOB does not occur.

DOB Definition

Duplication of Benefits (DOB) is the term used to describe when assistance from more than one source is used for the same purpose or activity. The purpose may constitute all or a portion of a mitigation project. Specifically, HMA funds cannot be used where an individual's disaster recovery or disaster mitigation needs have been or will be met through other assistance. DOB may apply in the following circumstances:

- When assistance for the same purpose has been received;
- When assistance for the same purpose will be received; or
- When assistance for the same purpose is reasonably available from another source such as insurance or legal settlements due to the property owner.

DOB can occur at any time during the HMA grant cycle, therefore, before an HMA grant can be closed, other assistance received or determined to be reasonably available must be identified, documented and then deducted from eligible HMA project costs. Duplicative funds may also be subject to recovery after the grant. This policy guide will address DOB issues for all HMA programs and for all project types involving the mitigation of residential properties, including:

- **General DOB Requirements for All Projects:** Acquisition and non-acquisition (structural).
- **Acquisition Projects:** Project-specific requirements for open space property acquisition and structure demolition or relocation; and
- **Non-Acquisition Projects:** Requirements for structural projects, including structure elevation, mitigation reconstruction, and all other structural mitigation project types.

A table presenting potential DOBs by source of assistance is provided in Appendix A and definitions of terms used throughout this Tool are provided in Appendix B.

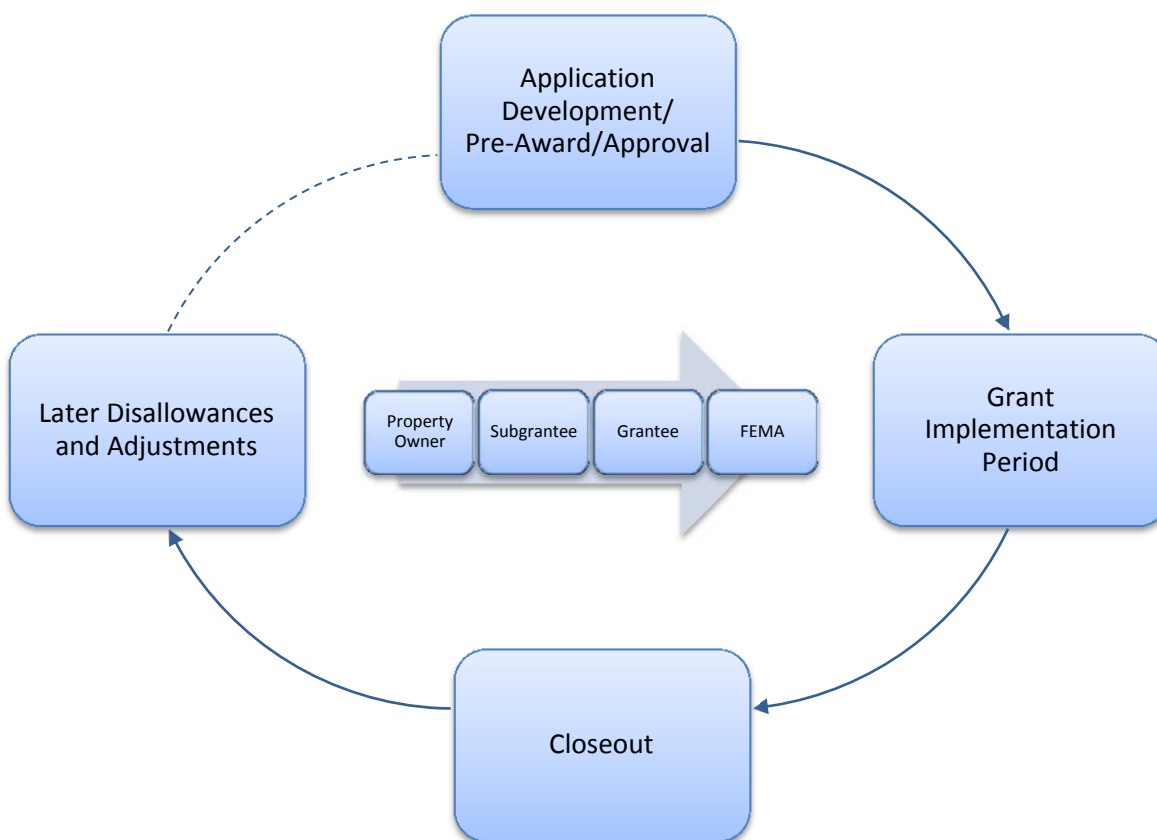
Roles and Responsibilities

All parties involved in an HMA grant transaction are responsible for accurately reporting the availability or receipt of duplicative grants, loans, insurance payments, legal claims, gifts or other payments pertaining to the property being mitigated using HMA funds. Reporting should occur at any point that such information becomes available, including:

- During application development, pre-award and approval;
- During the grant period of performance;
- During closeout; and
- After grant closeout, if duplicative funds are received at a later date.

Property owners are responsible for reporting DOB information to the subgrantee, the subgrantee to the Grantee, and the Grantee to FEMA. The Grantee is ultimately responsible for ensuring that project participants comply with all Federal laws and regulations.

Figure 1: HMA Grant Cycle and DOB Reporting



- a) **The Property Owner** reports to the subgrantee the receipt of any assistance related to the property to be mitigated. The owner must fully disclose existing and potential duplicative sources of assistance. Any person receiving duplicate benefits is legally responsible for the repayment of those benefits.

- b) **The Subgrantee** works with the property owner to complete a DOB checklist. Property owner DOB information must be maintained by the subgrantee and reported to the Grantee. The subgrantee reviews reported DOB and makes appropriate deductions. The subgrantee assures that property owners have been informed about the potential for their information to be shared for DOB verification purposes by providing the DOB Privacy Act Statement contained in Appendix F.
- c) **The Grantee** maintains records in accordance with Federal grants requirements and assures that the subgrantee has accurately completed DOB reviews and made deductions as appropriate. For HMGP grants, the State Administrative Plan should address the State's DOB review and verification process, addressing issues including the State's policy concerning allowable documentation for expenditures.
- d) **FEMA** must take steps to assure that its disaster-related assistance funds do not duplicate other assistance by providing information to the Grantee and subgrantee, as needed, to clarify DOB requirements. FEMA's role may include coordination with other Federal agencies, insurance companies, or any other public or private entity to request and provide access to records to assure there is no DOB. Within FEMA, HMA, the Individuals and Households Program (IHP), the National Flood Insurance Program (NFIP) and any other FEMA agency granting assistance to households must have processes in place for sharing records in order to assure the Agency's compliance with DOB requirements under Sec. 312 of the Stafford Act.

GENERAL DOB REQUIREMENTS: ALL PROJECT TYPES

A DOB review consists of information the Grantee or the subgrantee can examine or confirm through a search of FEMA, other governmental or private data sources.

The Grantee or subgrantee initially requests information pertaining to insurance policies, insurance claims and any other types of assistance or compensation that the property owner has applied for and/or anticipates receiving relating to the property to be mitigated. (See Checklist: Potential Sources of Duplication of Benefits, Appendix E).

Assistance Not Used for Its Intended Purpose

If assistance under any program or source is used for other than its intended purpose, and that purpose is relevant to the funded mitigation activity, a DOB may exist. As part of the DOB review, how other funds were expended will be verified through the review of receipts, contract records, insurance records, written determinations by building inspectors or appraisers or other forms of documents approved for use by FEMA and the Grantee.

- *Acquisition Projects:* When a damaged property is being acquired and the purchase price is based on the pre-event market value, the property owner must demonstrate that any insurance or other assistance received for repairs to the damaged structure were used for that purpose; otherwise, the amount of repair assistance will be deducted from the purchase offer (for exceptions, see section titled *DOB Timeline for Acquisition Projects Where There Have Been Multiple Events*).
- *Non-Acquisition Projects (e.g., Elevation, Mitigation Reconstruction, Wind, Wildfire and Earthquake):* For structural protection or mitigation reconstruction projects, unused insurance or other repair or mitigation assistance will result in a DOB if these funds duplicate eligible mitigation project costs for elevation, reconstruction or retrofit related to the property.

Example 1: Assistance Not Used for Its Intended Purpose

A property owner received a \$50,000 insurance payment to repair flood damages to his or her home but used the payment for a purpose unrelated to repair. The property is now being acquired with an appraised pre-event fair market value of \$250,000. Because the insurance proceeds were not used to repair damages to the structure, \$50,000 is deducted as DOB and the final acquisition price is \$200,000.

Receipts

When a property owner has received insurance or other repair or mitigation assistance for the same purpose as the HMA grant, receipts should be retained to demonstrate the use of funds. For acquisition projects offering pre-event market value, receipts are necessary to document how funds were spent. For structural protection or mitigation reconstruction projects, the property owner must use receipts to document the use of other assistance received for repair costs when similar construction costs are included in eligible project costs (such as replacement of exterior walls or roofing).

Receipts are the only universally accepted method of demonstrating expenditures. In the absence of receipts, building repair permits and/or inspection reports from the local municipality may be acceptable as proof that insurance and other assistance was used for repairs, provided that the Grantee allows for this form of verification. Subgrantees should contact their State emergency management office to obtain the State's policy concerning receipts. An affidavit from the community should be provided when using this method. (See Appendix C for an FAQ concerning receipts.)

Example 2: Use of Assistance Not Documented with Receipts

The same scenario occurs as that provided Example 1 except that insurance funds were used for the intended repairs. However, the homeowner did not maintain receipts for the work performed. The property is subject to the same DOB deduction unless the Grantee will allow the use of other documentation to support expenditures.

Benefits Available, Sought and/or Received

HMA authorities do not require proof that other sources of grant or loan assistance have been sought by the property owner. However, it is the responsibility of the property owner to report other benefits received, any applications for other assistance, the availability of insurance proceeds, or the potential for other compensation, such as from pending legal claims for damages, relating to the property.

HMA authorities require that insurance claims be sought when a property owner has an insurance policy or policies in place covering for structural damages which relate to the proposed HMA project. FEMA views the insurance policy as source of available, or reasonably available, assistance. This is because the insurance company has a contractual obligation to reimburse the property owner for covered losses.

FEMA Individuals and Households Program (IHP) Assistance

FEMA IHP assistance for repair or replacement of structural damages may be treated as DOB unless it is demonstrated, through receipts, that repair funds were used for their intended purpose. If repair funds were used for temporary housing, per current IHP policy, there is no DOB but validated rental or other receipts are required. However, if IHP funds are used towards a down payment on new, permanent housing, those funds will be deducted from the purchase offer for an acquisition project. For more information concerning allowable uses of IHP assistance payments, see http://www.fema.gov/assistance/process/expense_assis.shtm or consult your Region's IHP Office.

Example 3: Use of IHP Assistance for Permanent Housing Replacement

A property owner received a \$2,000 IHP payment to repair damages to his or her home. The owner uses the \$2,000 payment towards a down payment on a new home. The damaged property is now being acquired under HMA at pre-event fair market value of \$200,000. The \$2,000 IHP payment must be deducted from the HMA purchase offer, resulting in an adjusted eligible purchase price of \$198,000.

For mitigation-reconstruction projects, IHP repair funds can sometimes duplicate HMA grant funds. For example, if IHP paid for the replacement of a roof or outside walls and funds were not spent for this use, they would have to be deducted if the property owner participated in a subsequent mitigation reconstruction grant involving total demolition and reconstruction.

Insurance

When a property owner has an insurance policy in place covering for structural damages which relate to the proposed HMA project, the appropriate claims should be filed, and funds received should be reported. This includes NFIP policies, Increased Cost of Compliance (ICC) benefits under the NFIP, other hazard insurance or home insurance.

GENERAL DOB REQUIREMENTS: ALL PROJECT TYPES

To avoid a DOB deduction for acquisition projects, the property owner must provide receipts demonstrating that insurance proceeds were used for their intended purpose. (This excludes claims for contents.) This is because when pre-event value is offered for a property, unused insurance proceeds result in excess compensation for the property. To avoid a DOB deduction for structural project types, insurance payments that duplicate eligible project activities will be deducted. For example, if insurance provides for the replacement of a damaged roof, and funds were not expended for that purpose, the cost of roof replacement will be deducted from eligible mitigation reconstruction costs.

Insurance claims should be closed prior to the closing for acquisition projects, or prior to the start of mitigation activities for non-acquisition projects. Before FEMA can finalize the amount of insurance proceeds received, a letter should be provided stating that all claims are closed. This is because even when a claim is paid, the homeowner may be seeking reconsideration of the damages from the insurance company.

Insurance claims are also subject to the following requirements when FEMA is offering the pre-event market value for an acquisition property. (If FEMA is offering the post-event value, no deductions for unused insurance benefits are required as they have effectively been already deducted from the pre-event fair market value).

- *Insurance-Related Homeowner Clean Up:* If the property owner's insurer paid a claim that included reimbursement for the owner's own clean up labor following an event, the labor payment will not be deducted from the purchase offer. (Note: FEMA Housing Needs Assistance funds cannot be used to reimburse the property owner for their own cleanup.)
- *Insurance-Related Homeowner Repair:* Subgrantees may not reimburse property owners for their own labor hours for repair work. Property owners can be credited for the cost of materials.
- *NFIP Increased Cost of Compliance (ICC) Claims:* If ICC is received and used appropriately, it may be used to contribute to the non-Federal cost share requirements, so long as the claim is made within the timeframes allowed by the NFIP. For all project types, available ICC benefits must be assigned to the community. For additional information about ICC and eligible activities, see *FEMA 301: National Flood Insurance Program Increased Cost of Compliance Coverage Guidance for State and Local Officials* (September 2003).
- *Unspecified Insurance Payments:* In some cases, the insurance company may not specify the purpose of what a line item payment was intended to cover. In this case, clarification from the insurance company is necessary to verify whether the benefit is for real or personal property. If insurer clarification is not available, then the property owner must sign an affidavit clarifying whether payment was used for personal property or structure. (See *Appendix D* for a sample benefits affidavit for unspecified insurance payments.)

Demolition under the Public Assistance Program

Where Public Assistance funds have paid, or will pay, for demolition and/or debris removal activities for acquisition or mitigation reconstruction projects, these costs are not eligible for HMA funding. In this case, demolition costs will not be included in total eligible HMA project costs. This may be relevant to acquisition-demolition or mitigation reconstruction projects.

GENERAL DOB REQUIREMENTS: ALL PROJECT TYPES

Small Business Administration (SBA) Disaster Loans

SBA disaster loans can be allocated for both housing repairs and for mitigation. DOB considerations are as follows:

- *SBA Disaster Loans (Repair):* For acquisition projects, the property owner must provide proof that loan funds were spent as intended so that they are not deducted as DOB. In accordance with SBA requirements, loans must be repaid at the acquisition closing or rolled over to the new property.
- *SBA Disaster Loans (Mitigation):* **When SBA loan funds have been received by a property owner to complete a mitigation activity, HMA funds cannot duplicate the purpose covered by the loan, nor can they be used to in the form of a grant for loan “swap” or to pay down an SBA loan.** In general, SBA loan funds are considered to be received by the property owner when the direct loan agreement has been signed by all parties and can be verified in FEMA records or through coordination with the SBA. If HMA assistance is available at an early enough point after a disaster, it may be possible to use SBA mitigation loans as a source of local match for HMA funds. (Generally, an HMA funding commitment at the subgrant level is not possible within the SBA loan timeframe.)

Charitable Gifts

Individual donors, private foundations and voluntary agencies can provide for a wide range of disaster-related assistance, including home repairs, reconstruction and temporary housing, which may duplicate HMA assistance for the same activities. The receipt of such assistance can generally be used to meet the non-Federal cost share. However, charitable gifts not spent for their intended purpose may still be subject to DOB deduction from HMA project costs when they involve repairs for acquisition structures or provide a portion of structural mitigation costs.

For acquisition projects paying pre-event value, charitable gifts received for home repair are treated as DOB unless expenditures for that purpose are documented with receipts. For structural projects, if a gift is received for repair items that are eligible HMA project costs (e.g., foundation repairs), the HMA grant cannot duplicate these items.

Example 4: Charitable Gifts

No DOB: A local construction company donates demolition services valued at \$10,000 for an acquisition/demolition project. The demolition costs may be included in the grant budget and the value counted toward local cost share.

DOB: A local charitable organization donates \$3,000 to a homeowner to replace a water heater damaged in the event. The homeowner does not replace the water heater and subsequently participates in an acquisition project where pre-event market value is offered. The un-used \$3,000 charitable gift will be deducted from the final offer price.

Legal Claims for Property Damages

Duplication may occur when a property owner is seeking third party compensation for damages to the property being considered for an HMA project. In this context, a legal claim means an action brought to recover payment for damages caused by a third party – it does not refer to a claim related to property title or ownership. Property owners should continue to seek recovery of claims even when participating in an HMA project. Discontinuing an attempt to recover a legal claim because a property owner expects to receive HMA funding would essentially leave potentially available funds “on the table” and these funds would be considered ‘reasonably available’.

GENERAL DOB REQUIREMENTS: ALL PROJECT TYPES

When there is a pending or active legal proceeding, the subgrantee can still award funds for project completion. However, the property owner is legally obligated to inform the subgrantee of any recovery from litigation. Under such circumstances, the subgrantee and Grantee should continue to monitor the litigation until it is resolved. Grantees should develop a form of explicit agreement with property owners concerning the return of duplicative funds from legal claims after the grant period is closed. Upon recovery, the property owner should provide the Subgrantee with a copy of the final court order or settlement agreement showing the amount of compensation received and the Subgrantee must recoup relevant HMA funds provided.

DOB and Cost Share

When other Federal grant assistance has been received and used for its intended purpose, provided that it is authorized to do so, it may be used as a source of local match. For example, this is the case with Housing and Urban Development Community Development Block Grant (CDBG) funds. (For a list of Federal sources of assistance that can be used as local match, see *HMA Unified Guidance Part III. B.1 Federal Funds Allowed to Be Used as Non-Federal Cost Share.*) However, total HMA and CDBG funds cannot exceed total eligible project costs.

Other Federal assistance not authorized to be used as local match for other Federal projects could present a duplication of programs issue.

Example 5: DOB and Cost Share

A property owner receives an ICC payment of \$30,000 and a CDBG payment of \$10,000 to elevate their substantially damaged home to meet local floodplain requirements. Both payments are reported as sources of additional assistance to the subgrantee as part of DOB verification. Both the ICC payment and the CDBG payment may be used toward the local cost share for the HMA grant.

Privacy Act

To ensure compliance with the Privacy Act, the subgrantee must notify each property owner that information they disclose regarding other sources of assistance received may be shared with FEMA, other Federal agencies, insurance companies or other relevant public or private entities for purposes of verifying this information. Subgrantees are required to distribute the information included in the DOB Privacy Act Statement contained in Appendix F.

PROJECT-SPECIFIC DOB REQUIREMENTS

Acquisition Projects

For mitigation projects involving the acquisition of structures, duplication of benefits may affect the amount of hazard mitigation assistance that the property owner receives at closing for the value of the property. Duplication occurs most frequently related to other assistance received for the repair of disaster-related damages. Because pre-event value is frequently offered for damaged structures, any assistance received prior to acquisition for the repair of that structure must be used for its intended purpose, or will be deducted as DOB. This is because unused repair assistance effectively provides additional compensation above the value of the property.

Property Acquisition Property Valuation: Using Pre-Event or Post-Event Market Value

A potential DOB exists if the subgrantee pays pre-event market value (or any value higher than current market value) for a damaged home and other assistance has been received that also pays for the pre-event value. This is because the property owner is receiving actual value for the property in an undamaged or repaired state, even though it has been damaged.

When using post-event value, the property is valued in its present, possibly unrepaired condition and would not require deductions, because the property owner is not getting paid for unrepaired elements of the structure. There is less likelihood of a DOB existing if the current market value is used as the basis for property valuation. If current market value is used, there can only be DOB if additional damage occurred between the time of valuation and the closing for which assistance is provided.

Pre- or post-event value is determined based on the “relevant disaster event.” The relevant event for HMA assistance under HMGP is the major disaster under which funds are available; for assistance under PDM, it is the most recent major disaster. Where multiple disasters have affected the same property, the grantee and subgrantee shall determine which event is the relevant event. The relevant event for assistance under the FMA, is the most recent event resulting in a National Flood Insurance Program (NFIP) claim of at least \$5000. For more information, refer to 44 CFR, Part 80.17(c).

The significance of the “relevant event” is that it can also be identified as the starting point for how far back DOB review should go. This is explained in the next section.

DOB Timeline for Acquisition Projects Where There Have Been Multiple Events

Where a property has been subject to damages from multiple events, and the property owner has received prior assistance based on these events before applying for HMA assistance, potential DOB should be assessed and deducted only from the relevant event forward. As required by the Uniform Relocation Act (URA), acquisition properties undergo an appraisal prior to acquisition. The repair or non-repair of damages sustained prior to the relevant event is assumed to be reflected in the appraised value of the property. Therefore, **for the period preceding the relevant event**, any assistance received will not be treated as a DOB.

Example 6: DOB Examination for an Acquisition Property with Multiple Prior Insurance Payments

A property has suffered flood damages in four separate disaster declarations occurring in May 2005, June 2009, September 2009 and February 2010. The relevant event under which the property is now being acquired is the June 2009 disaster. The property is appraised at a pre-event value of \$250,000. The property owner received insurance payments for each event as follows:

May 2005: \$4,000
June 2009: \$5,000
September 2009: \$4,000
February 2010: \$3,000

The property owner claims that he or she made the repairs associated with each insurance payment but has not retained receipts. The subapplicant allows the property owner to submit building repair permits as a form of documentation, but only requires permits records for the June and September 2009 and February 2010 events. Because the May 2005 payment preceded the relevant event, this assistance will not be treated as a potential DOB.

HMA Supplemental Housing Payments

Supplement housing payments are payments allowed under the URA when comparable property outside the flood hazard area is not available for the fair market value of the acquired property. Supplemental housing payments are an allowable addition to the purchase offer, for the purchase of comparable replacement housing in the same community, but in a non-hazard prone site. Supplemental housing funds are not a DOB.

FEMA Individuals and Housing Needs Assistance Payments

IHP funds for repair, replacement or temporary housing is not DOB provided that receipts demonstrating use are presented for review. However, these funds may be considered a DOB if used towards permanent housing replacement. See Section titled “FEMA Individuals and Households Program (IHP) Assistance” under general DOB requirements.

Relocation Assistance under the Uniform Relocation Act (URA)

Duplication may occur when relocated tenants (including mobile home lot tenants) receive URA relocation and rental assistance due to a property acquisition. Dislocated tenants may also receive rental assistance from FEMA Housing Needs Assistance or other sources. Any displacement-related HMA funding must be examined for potential DOB against these other sources. URA relocation and rental assistance cannot duplicate the same moving or increased rental costs for the same period covered by other assistance.

Example 7: URA Assistance, FEMA Housing Needs Assistance and DOB

A tenant is displaced due to an acquisition project and receives FEMA Housing Needs Assistance for temporary housing in the amount of \$500, plus moving expenses. Subsequently, the temporary housing becomes the tenant's new permanent address. For the first year after the project, FEMA Housing Needs Assistance covers the increased cost of rent for the months of January and February.

URA assistance will cover the cost of increased rent for the period beginning in March. Because FEMA housing assistance has already paid moving expenses, URA payments cannot cover the same expense.

NFIP Premium Credits and DOB

For acquisition projects under the HMGP, the Grantee has the option to provide a credit to property owners who carry flood insurance. In this case, the Grantee, at their discretion, may provide an incentive payment in an amount equal to up to 5 years of flood insurance premiums. The premiums must have been paid by the current property owner. This credit is not considered a duplication of benefits.

Acquisition Closing

DOB issues for acquisition must be resolved prior to the acquisition closing. The property owner is made aware of all deductions and credits applicable towards the purchase price. If a property owner has receipts or other approved documentation (see "Receipts"), that can reduce the amount of DOB, these must be submitted and all insurance claims settled prior to scheduling the closing of the property.

At closing, if the property owner reveals possession of additional repair receipts or other approved documentation, the closing should be postponed until the DOB can be re-evaluated. Once the property has closed, no further claims or receipts will be considered to reduce the amount of DOB. Therefore, the financial transaction is complete between the community and the property owner. (See "Legal Claims" in the General DOB Requirements concerning DOB that may occur after project closeout.)

It is the responsibility of the property owner to coordinate with the SBA for repayment options of their loan, prior to closing (repayment or rollover).

Mortgages, Tax Liens, and Other Mechanical Liens

Commitments or debts including mortgages, tax liens, and mechanical liens are not a DOB. These are handled like any other real estate transaction. These outstanding items are paid entirely by the property owner.

While acquisition projects are concerned with the level of HMA assistance needed to provide a fair market purchase offer for a property (in addition to demolition and other acquisition-related transaction costs), non-acquisition projects focus on assisting with the costs of construction or retrofit for the purpose of providing structural protection. For structural projects, DOB occurs if two or more sources of assistance provide compensation for identical construction costs. Where part of the need for construction or retrofit is already met through other sources, HMA cannot duplicate these payments.

Structural Projects and DOB for Repair-Related Assistance

For structural protection or mitigation reconstruction projects, unused insurance or other repair or mitigation assistance will result in a DOB if these funds duplicate eligible mitigation project costs for elevation, reconstruction or retrofit related to the property. Other repair or mitigation assistance must have been received for the same purpose as the structural protection or mitigation reconstruction project.

Elevation Projects

Duplication is most likely to occur when dealing with ICC payments for the elevation of substantially damaged properties. ICC is a potential source of DOB when a property owner is eligible for ICC benefits but fails to file a claim. Property owners should file ICC claims for which they are eligible.

Mitigation Reconstruction

Mitigation reconstruction involves the construction of an improved, elevated building on the same site where an existing building and/or foundation has been partially or completely demolished or destroyed. Other assistance received for structural repair or replacement costs may therefore be a source of duplication because the repair assistance may have the same purpose as some mitigation reconstruction activities (e.g., repair or replacement of roofing, exterior walls or foundations). In order to avoid a duplication of benefits, HMA mitigation reconstruction funds can only be used for eligible expenses that were not covered by another source.

- *Mitigation Reconstruction Federal Share Cost Cap Items:* The mitigation reconstruction cost cap limits some allowable Federal costs for this project type, but does not affect DOB. DOB is deducted from total eligible costs after costs subject to the Federal funding limit, and other costs, are determined.

Example 8: Mitigation Reconstruction

A property included in a mitigation reconstruction project will be completely demolished and reconstructed. Total eligible costs are \$150,000. The property owner received insurance claim payments totaling \$50,000 for the replacement of the roof and partial foundation repair. DOB will depend upon whether or not funds were used for their intended purpose.

Scenario 1: The insurance funds were used for the intended purpose of structural repair; therefore, there is no DOB and eligible project costs remain at \$150,000.

Scenario 2: The property owner used the insurance funds for an unrelated purpose or pocketed the funds. \$50,000 will be deducted as DOB and eligible project costs are reduced to \$100,000.

DOB Deductions in the Sequence of Eligible Project Cost Adjustments

It is important to understand at what point in making project cost adjustments that DOB deductions are taken. DOB should always be taken from total eligible project costs, prior to making the cost-share calculation. See Illustration 1 below.

Illustration 1: Structural Projects versus Property Acquisition: Cost Adjustments

Structural Projects	Property Acquisition and Structural Demolition or Relocation
<p>Individual Structure</p> <ol style="list-style-type: none"> 1. Determine initial total eligible project costs in accordance with HMA program and Federal grants management requirements. 2. Deduct assistance received from other sources for the same purpose (e.g., unused repair awards or ICC benefits duplicating eligible project costs). 3. Credit for all valid receipts and documentation. 4. Determine total eligible costs for the individual structure. For mitigation reconstruction, this includes the Federal share funding limit plus costs that do not fall under this cap. <p>Subgrant</p> <ol style="list-style-type: none"> 5. Determine the non-Federal match need and available sources of match. These may include repair funds used as intended and non-Federal assistance or insurance payments for mitigation. 6. Calculate a final project budget designating the Federal share and the non-Federal share. 	<p>Individual Structure</p> <ol style="list-style-type: none"> 1. Determine initial total eligible project costs in accordance with HMA program and Federal grants management requirements. 2. Deduct other assistance intended for the same purpose, or which affects the effective compensation being received for the structure (e.g., assistance received for repairs when using pre-event market value). 3. Credit for all valid receipts and documentation. 4. Determine total eligible costs for the individual structure. 5. Add any costs allowed for supplemental housing payments or NFIP Premium Credits to total eligible cost. <p>Subgrant</p> <ol style="list-style-type: none"> 6. Add any URA required tenant rental assistance to total project cost for the entire subgrant. 7. Determine the non-Federal match need and available sources of match. These may include repair funds used as intended and non-Federal assistance or insurance payments for mitigation. 8. Calculate a final project budget designating the Federal share and the non-Federal share.

DUPLICATION OF BENEFITS BY TYPE OF ASSISTANCE

Sources of assistance which could present a DOB are listed below. Where a potential or possible duplication of benefits exists, the amount and purpose of assistance referenced should be examined to determine whether it must be deducted from the HMA project cost, though these deductions may be subject to certain conditions and exceptions. See chart below for where DOB checks should be performed. The chart also indicates the verification procedure for conducting those checks.

Type of Assistance	Acquisition (Demolition)	Acquisition (Relocation)	Elevation	Mitigation Reconstruction	Structural Retrofit	Clarifications, Exceptions, Conditions	Verification
FEMA Disaster Assistance							
FEMA Individuals and Households Program (IHP): Repair, Replacement, Semi-Permanent or Permanent Housing Construction.	Check	Check	Check	Check	Check	<p>For acquisition projects paying pre-event value, FEMA housing needs assistance is treated as DOB unless allowable use is demonstrated.</p> <p>For mitigation reconstruction, and potentially for other structural mitigation projects, if repair assistance duplicates an eligible project cost, that amount will be deducted.</p> <p>If repair funds were used for temporary housing, or for other allowable uses under FEMA Housing Needs Assistance policy, there is no DOB but validated rental or other receipts are required.</p>	FEMA IHP records; contractor invoices; receipts and/or sworn community statements with values assigned, as allowed by the Grantee.
FEMA Individuals and Households Program (IHP): Temporary Housing	Check	Check	Check	Check	Check	<p>Where a property owner must temporarily vacate the property during implementation of the project, and this is an itemized project cost, there may be duplication with eligible HMA project costs.</p> <p>For acquisition/demolition there is generally no duplication. If a tenant was permanently displaced, HMA rental assistance required by URA may duplicate a portion of FEMA housing assistance.</p>	FEMA IHP records; rental receipts.
FEMA Individuals and Households Program (IHP): Use of Repair Assistance for Homeowner Clean Up and/or Repair						IHP does not allow property owners to use repair assistance to compensate their own labor for clean-up or repair. The cost of repair materials can be credited to reduce DOB.	Receipts for the purchase of materials.
FEMA Public Assistance Demolition						FEMA PA may have already demolished a structure subject to acquisition or mitigation reconstruction. Costs for work completed would be treated as ineligible project costs, not DOB.	Not applicable.

Type of Assistance	Acquisition (Demolition)	Acquisition (Relocation)	Elevation	Mitigation Reconstruction	Structural Retrofit	Clarifications, Exceptions, Conditions	Verification
Small Business Administration (SBA) Loans							
SBA Disaster Loans: Repair	Check	Check	Check	Check	Check	SBA disaster repair loans may constitute a DOB for mitigation reconstruction projects if loans were not used for their intended purpose.	Disaster assistance records can provide verification that SBA loans were received by a property owner. Receipts for repairs made with SBA loans.
SBA Disaster Loans: Mitigation	Check	Check	Check	Check	Check	SBA mitigation loans cannot be duplicated with HMA funds for the same purpose. For this reason, HMA funds cannot be used to replace or pay off SBA loans. SBA mitigation loans could potentially be used as match, but only if there is coordination between FEMA and SBA early in the disaster.	Disaster assistance records can provide verification that SBA loans were received by a property owner.
Insurance Policies and Insurance Claims: NFIP, Other Hazard Insurance, Private Home Insurance							
Real Property Settlements	Check	Check	Check	Check	Check	For property acquisition and mitigation reconstruction, HMA requires that repairs made with real property settlements be documented with receipts or accepted documentation.	Copies of insurance policies; settlement or letter from the insurer stating claim is closed and for what amount. Receipts demonstrating use of funds. NFIP Bureau Net: Please note that the data in the Bureau Net is outdated by a few months, thereby showing a claim open when the community indicates it has been closed. Therefore, it may be necessary to request a letter from the insurance company that documents the claim is closed and the amount that was provided for real property damages.
Personal Property Settlements (Contents)						None.	None.

Type of Assistance	Acquisition (Demolition)	Acquisition (Relocation)	Elevation	Mitigation Reconstruction	Structural Retrofit	Clarifications, Exceptions, Conditions	Verification
Loss of Use (Rental, Hotel or other temporary housing assistance)		Check	Check	Check	Check	Where property owners must temporarily vacate their structures during implementation of the project, and this is an itemized project cost, there may be duplication. DOB does not occur if a household used insurance to make their home <u>temporarily</u> livable.	Supporting documentation should include an inventory listing of invoices and receipts for rent and/or temporary housing expenses including the dates and amounts (name, address, and phone numbers) and physical evidence of repair, if applicable.
Unspecified Insurance Payments	Check	Check	Check	Check		In some cases, the insurance company may not specify what the line item payment was intended to cover. In such cases, clarification from the insurance company is necessary to verify whether the benefit is for real or personal property.	Letter from insurer or Unspecified Insurance Payments Benefits Affidavit
Homeowner Clean-up	Check	Check				Homeowner labor can be claimed as a "receipt of use of insurance payment" as long as it is reflected as a line item in the insurance claim.	Insurance settlement showing line item for homeowner clean up or sworn affidavit signed by the property owner.
Homeowner Repair						Homeowner's may not claim their own repair labor as a receipt against DOB; they may present receipts for materials purchased and this amount will not be deducted.	No verification for homeowner's own repair labor. Receipts for materials purchased.
NFIP Increased Cost of Compliance (ICC)	Check	Check	Check	Check	Check	ICC proceeds must be reported and accounted for in total eligible project costs. If an ICC payment is being used as a subgrantee's non-Federal cost share, the policyholder must assign the claim to the subgrantee. ¹ Applies to dry flood proofing.	NFIP settlement statement.
Other Types of Assistance For Real Property							
Uniform Relation Act (URA) Replacement Housing Payments: Supplemental Housing Payments to Property Owners	Check					For acquisition-demolition projects involving purchase of a new property, the supplemental payment is added to the purchase offer, and is generally not considered as a DOB. If another source provides a supplemental housing payment, the HMA payment will be reduced accordingly.	None.
Uniform Relocation Act (URA) Replacement Housing Payments: Rental Assistance for Displaced Tenants	Check	Check	Check	Check	Check	If a tenant was permanently displaced by an HMA project, HMA rental assistance required by URA may duplicate assistance given to the tenant for temporary housing or relocation assistance.	Notice of Eligibility and Claim for Relocation and Moving Expenses; Receipts

Type of Assistance	Acquisition (Demolition)	Acquisition (Relocation)	Elevation	Mitigation Reconstruction	Structural Retrofit	Clarifications, Exceptions, Conditions	Verification
Special Appropriations, Direct Appropriations and Other Federal Grants	Check	Check	Check	Check	Check	May be eligible for use as matching funds; however, authorizing legislation or appropriations language must state that funds can be used to meet cost sharing or matching requirements. Other Federal assistance that does not lose its Federal identity may be subject to the provisions of 44 CFR §206.434 (f) and (g) concerning duplication of programs and packaging of programs. These situations will require coordination by FEMA with the other Federal agencies and the prospective Grantee to assure that all Federal requirements are met.	Authorizing legislation and grant award information.
HUD Community Development Block Grant Program (CDGB) and Similar Federal Program Funds that Lose Their Federal Identity	Check	Check	Check	Check	Check	Such programs would be eligible for use as matching funds, and would not be considered DOB unless combined HMA and CDBG assistance exceeds the project need. Project cost items paid for with CDBG funds cannot be duplicated by HMA funds. Other Federal assistance not authorized to be used as local match for other Federal projects could present a duplication of programs issue.	FEMA and Grantee: Verification of authorities. Subgrantee/Grantee: Letter of match commitment.
Charitable Gifts	Check	Check	Check	Check	Check	For acquisition projects paying pre-event value, charitable gifts received for home repair are treated as DOB unless allowable use is documented. For structural projects, if a gift is received for repair items that are eligible HMA project costs (e.g., foundation repairs), the HMA grant cannot duplicate these items.	Receipts canceled or cleared checks or credit card statements supporting contractor invoices (not estimates).
Other							
Legal Claims Pertaining to Property Damages	Check	Check	Check	Check	Check	Property owners involved in legal claims against a third party for property damages should continue to seek recovery after receiving HMA assistance, even if a project has been closed out. Grantees should develop a form of explicit agreement with property owners concerning the return of duplicative funds from legal claims.	Grantees should develop a form of explicit agreement with property owners concerning the return of duplicative funds from legal claims. Upon recovery, copy of final court order or settlement agreement showing claim received.
Mortgages, Tax Liens, and Mechanical Liens						These are handled like any other real estate transaction and are not considered a DOB. These outstanding fees are paid entirely by the property owner.	None.

DUPLICATION OF BENEFITS - DEFINITIONS

Duplication of Benefits: A situation that arises when assistance from more than one source is received or available for the same purpose or activity. The specific purpose or activity may constitute all or a portion of a mitigation project. Specifically, FEMA HMA funds cannot be used where an individual's disaster recovery or disaster mitigation needs have already been met or will be met through other available sources of assistance.

Charitable Gifts: Any gift of money or property by a private individual or organization for a specified purpose that relates to the repair, replacement or mitigation of a damaged residential property or provides for rental or temporary housing assistance.

Closing (Structure Acquisition): The transfer of funds from FEMA to the property owner for the purchase price of the property. The purchase is complete when funds are received by the property owner. Final DOB calculations must be performed prior to closing except in the event of an ongoing legal dispute where claims related to the damaged property may be recovered after the grant period of performance.

Legal Claim: A civil claim or action brought to enforce, redress, or protect rights of private citizens involving compensation for damages or payment of a benefit. For the purposes of this guidance, a legal claim does not mean claims relating to title or ownership.

NFIP Increased Cost of Compliance (ICC) Coverage: Coverage for expenses a property owner must incur, above and beyond the cost to repair the physical damage to the structure actually sustained from a flooding event, to comply with mitigation requirements of State or local floodplain management ordinances or laws. Acceptable mitigation measures are structure elevation, dry flood proofing, structure relocation, structure demolition, or any combination thereof.

DOB Privacy Act Statement: A statement provided to property owners notifying them that their disaster assistance information is subject to sharing for routine DOB verification purposes, per Sec. 312 of the Stafford Act and subject to the provisions of the Privacy Act (5 U.S.C. 552a).

Receipt of Other Assistance: The point at which funds are committed to the grantee, subgrantee or property owner. This may represent a grant being obligated by the grant award letter, loan funds being committed by a written loan agreement signed by the lender and the Grantee, or gifts or donations being committed to the property owner.

Relevant Event: The disaster event defined for each HMA program in 44 CFR §80.17(c) which marks the beginning of the DOB calculation period (for acquisition project only). Other assistance received prior to the relevant event, and its use or non-use for the intended purpose, will be reflected in the appraised property value following the relevant event.

SBA Disaster Loan: A Federal direct loan obligation which may include an amount to cover a mitigation activity. A direct loan obligation is a binding agreement by a Federal agency to make a direct loan when loan conditions are fulfilled by the borrower. SBA loans may be for repair or for both repair and mitigation. Examples of eligible SBA loan mitigation measures include relocation, elevating flood prone structures, relocating utilities, or retrofitting structures to protect against high winds, earthquakes, flood, wildfires, or other physical disasters.

Supplemental Housing Payments: A price differential payment based on the difference, if any, between the acquisition price of the acquired dwelling and the purchase price of a comparable decent, safe, and sanitary replacement dwelling. This cost is capped per 49 CFR Part 24, Subpart E, § 24.401 Replacement housing payment for 180-day homeowner-occupants.

Uniform Relocation Act (URA): An Act establishing minimum assistance standards for federally funded projects that require the acquisition of real property or the displacement of property owners or tenants from their homes (Public Law 91-646 – Uniform Relocation Assistance and Real Property Acquisition Act of 1970).

Unspecified Insurance Benefits: Lump sum insurance proceeds with no accompanying specification of amounts intended to compensate for structural versus content damages. Insurance proceeds to cover content damages do not constitute a duplication of benefits under the HMA programs.

DOB FAQ: Receipts, OTHER DOCUMENTATION OF COSTS, and Costs that Can't Be Credited

What is acceptable documentation for receipts? Acceptable documentation for costs incurred after an event or when benefits were received includes the following. Documents must be legible:

- Itemized, dated invoices for materials (lumber, paint, sheet rock, carpet, cleaning supplies)
- Rental Receipts that include landlord or lodging information (dates, name, address, and phone numbers)
- Canceled or cleared checks
- Contractor Statements/Invoices (not estimates) for eligible repair, replacement, construction, and disposal costs – (including dates, name, address, and phone numbers)
- Credit card statements that support contractor invoices
- Invoices for Moving Expenses for tenants

What types of costs can't be credited back for a DOB reduction?

- Appliances (washers, dryers, refrigerators, stoves, dishwashers, microwaves)
- Delivery fees, dump fees, landfill fees, rented items, late fees
- Storage totes, portable storage units
- Personal Property
- Food/water - restaurant receipts
- Toiletries
- Jewelry
- Cars, boats, recreational vehicles, camper trailers
- Landscaping: plants, rocks, supplies, lawn mowers, weed eaters, chainsaws, snow blowers
- Fuel charges
- Pet Care, boarding, or food
- Moving Expenses (truck rental, gas, boxes, storage fees, etc.)
- Utility Bills (gas, electric, water, deposits, etc.)
- Homeowners labor for repairs
- Homeowners labor for cleanup (except for insurance if authorized)
- Receipts for permanent housing
- Dental/Medical

What is an acceptable form of documentation if I don't have receipts? (Community Statements or Certifications) - First, check with your State office to verify whether forms other than receipts will be accepted. Depending on your State's policy, the following documents may be accepted:

- Affidavits signed by contractor (with contact information provided) with amount paid.
- City permits and inspection records.
- Affidavits signed by city official after inspection of the property to ensure repairs were completed and that assigns a value to the repairs.
- Building repair permits or inspection reports from a local municipality may be acceptable as proof that insurance and other assistance was used for repairs. An affidavit from the community should be provided when using this method as the permit reports sometimes contradict.
- If receipts, permits, or inspection reports are not available then it may be preferable to use post-event (current market) value. In most instances the use of current market value will simplify the process by eliminating DOB and will not have an adverse effect on the owner.

SAMPLE BENEFITS AFFIDAVIT (Unspecified Insurance Benefits Only)

ATTENTION: This sample language is provided for informational purposes only; this is not a FEMA Form. This language may be used as a basis for a community affidavit to affirm that unspecified insurance funds received were used to replace personal property and are therefore not subject to DOB.

STATE OF <<State Name>>

COUNTY OF <<County>>

I/We, <<First Name>> <<Last Name>>, being duly sworn, depose and say:

I/We RESIDE at <<Address>> and make this affidavit in connection with the purchase of my real property located at <<Address>>, <<City State>> and further identified as tax account number <<Tax Id>> by the <<Jurisdiction>> in conjunction with a property acquisition project funded under the <<identify relevant HMA grant program>>.

I/We HEREBY affirm and verify that I/We have received the following insurance payment as the result of the flooding that occurred during the incident period of <<Incident Start>> through <<Incident End>>. The insurance company did not specify the types of loss (structural or personal property) covered by the payment. I have or will use the payment to replace personal property lost or damaged by the flooding.

Unspecified Insurance Settlement
(does not specify for structure or personal property)

<< Insurance Amount>>

Date

Signature of Property Owner(s)

CHECKLIST: POTENTIAL SOURCES OF DUPLICATIONS OF BENEFITS

ATTENTION: This checklist is provided for informational purposes only; this is not a FEMA form. Subgrantees should check for the following sources of potential DOB as part of the application/award process.

The following checklist identifies several of the most common sources of funds that may pose a DOB. A more comprehensive list of funding sources that could result in a duplication of benefits (DOB) is found in Appendix A. Subgrantees should request, and property owners should disclose, information about the receipt, or anticipated receipt, of financial assistance from these sources as they related to the property being mitigated with Hazard Mitigation Assistance (HMA) funds. When these forms of assistance have been received for the same purpose as an HMA grant, they cannot be duplicated with HMA funds and generally must be deducted from eligible project costs, unless they designated by law as source of local match (e.g., CDBG). This means that FEMA will require the community to subtract from the acquisition purchase price, or other project costs, the amount of other assistance the individual property owner received for the same purpose. However, if the property owner has receipts showing that the money was spent for its intended purpose (for example, repairing the home to make it livable again) the community will not subtract the amount documented by receipts.

Other Grants, Loans or Charitable Gifts (Funds Anticipated, Funds Received)

FEMA Individuals and Households Program	
Other (PNP, Charitable Gifts)	
Small Business Administration (SBA) Mitigation Loan	
U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program	

Insurance (Policies Insurance Claims Filed, Insurance Claims Received)

NFIP Standard Policy	
NFIP Increased Cost of Compliance (ICC) Coverage	
Other (Homeowners Policy, other Hazard Insurance)	

Legal Claims for Property Damages

Pending Legal Proceedings or Amounts Recovered	
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DOB PRIVACY ACT STATEMENT

PRIVACY ACT STATEMENT

ATTENTION: This statement is provided for informational purposes only; this is not a FEMA Form. Subapplicants should to provide this information to property owners as part of the HMA application/award process.

AUTHORITY: Sections 203, 312 and 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended, 42 U.S.C. § 5133, 42 U.S.C. § 5155, and 42 U.S.C. § 5170c; § 1366 of the National Flood Insurance Act, (NFIA) as amended, 42 § U.S.C. 4104c; § 1323 of the NFIA, 42 U.S.C. § 4030; § 1361A of the NFIA, 42 U.S.C. § 4102a, and 44 CFR Subpart N, and parts 79 and 80. The information regarding your property may also be subject to sharing within the Department of Homeland Security (DHS).

PRINCIPAL PURPOSE(S): This information is being collected for the primary purpose of determining eligibility for and administering FEMA's Hazard Mitigation Assistance grant programs.

ROUTINE USE(S): The information regarding your property may be shared under 5 U.S.C. § 552a(b) of the Privacy Act of 1974. This includes disclosing this information as necessary and authorized by routine uses published in the Department of Homeland Security/Federal Emergency Management Agency—009 Hazard Mitigation Assistance Grant Programs System of Records Notice, 77 Fed. Reg. 43100 (July 23, 2012), upon written request, by consent/agreement, or as required by law. These routine uses may includes sharing with custodians of property records such as other Federal or other governmental agencies, insurance companies, or any public or private entity for the purposes of ensuring that the property has not received money that is duplicative of any possible HMA grants received.

DISCLOSURE: FEMA hereby notifies you that the disclosure of your property information to the State is voluntary; however, failure to provide the information requested may delay or prevent you from receiving HMA funds for the property.