

APPENDIX 16

**SINGLE FAMILY HOUSING FIELD GUIDANCE ON
DISASTER DECLARATIONS**

I. PURPOSE

The purpose of disaster funding in the Single Family Housing program is to provide assistance to families and individuals whose primary residences were damaged or destroyed by events covered by a Presidential Disaster Declaration. Assistance is made available in counties named by the Federal Emergency Management Agency (FEMA) as being eligible for Individual Assistance.

The following provides general guidance to agency field staff for appropriate action following a disaster. The extent of disasters varies greatly. Additional guidance may be provided from program staff based upon need. The following provides guidance to state and local offices in serving the residents of a disaster area, monitoring activities of agency staff, and serving existing borrowers in the disaster area.

Field offices should check FEMA's website at www.fema.gov for disaster declarations in areas served. This appendix applies to designated areas eligible for Individual Assistance (assistance to individuals and households). Loan or grant assistance provided in regards to a disaster must follow all program requirements and guidelines to providing low- and very low income individuals and households the opportunity to own and maintain adequate, modest, decent, safe, and sanitary homes in rural areas.

Disaster victims should be directed to first contact FEMA, Small Business Administration (SBA), their homeowner insurance company, and other agencies or charitable organizations offering assistance.

Unless otherwise specified in this Appendix, disaster assistance applications for Section 502 Direct and Section 504 Loans and/or Grants should be accepted, evaluated, and closed following the same procedures as described in Chapters 2 through 10 and 12 of this Handbook. This applies to existing customers returning for subsequent assistance or

new customers. The focus by agency staff will be to serve those affected by the disaster as quickly and efficiently as possible. Awareness of policies and procedures such as separation of duties and proper use of funds remain of the utmost importance.

For the purpose of administering these funds, "natural disaster" will only include those areas identified by a Presidential Disaster Declaration for Individual Assistance. Again, loans and grants are only available to applicants to the extent that funds are not provided by FEMA, SBA, or other sources. Applicants must establish that physical damage to their home was caused by the natural disaster. Applicants must file application packages at the Rural Development field office serving the county where the dwelling is located.

II. NOTICE OF AVAILABILITY OF FUNDING

Disaster funding, when available, is money to assist individuals and families in an area where property has been damaged or destroyed by natural disaster but not covered by insurance. It is meant to help persons with critical expenses that cannot be covered in other ways. This assistance is intended to restore the damaged property to its condition before the disaster.

Rural Development may announce the availability of Disaster Relief Funding in the Federal Register, through a Notice of Funds Availability (NOFA). In that event, the NOFA will list the application deadlines, eligibility requirements and places the public may apply for program dollars.

III. 502 DIRECT LOAN DISASTER ASSISTANCE

Program Number 10.445- Direct Housing- Natural Disaster- Section 502 Very Low and Low Income Loans Authorization- Housing Act of 1949, Title V, Section 502, as amended, Public Law 89-117, 42 U.S.C 172, Public law 98-51;Public Law 98-51; Public Law 100-233; Amendment of Consolidated Farm and Rural Development Act of 1987; Section 601.

The purpose of these loans are to assist qualified low and very low income families to meet emergency assistance needs resulting from natural disaster to buy, build, rehabilitate or improve dwellings in rural areas. Direct loans may be used for construction, repair, or purchase of housing in rural areas affected by the natural disaster. Documentation is needed to show that the applicant's permanent home was in the affected area before the disaster.

IV. LOAN AND GRANT DISASTER ASSISTANCE

Program Number 10.444- Direct Housing Natural Disaster Loans and Grants.
 Authorization- Housing Act of 1949, Title V, Section 504, as amended. Public Law 89-117, 42 U.S. C. 14764; Public Law 104-134.

The purpose of these loans and grants are to assist very low income owner-occupants to repair or replace damaged property as a result of a natural disaster.

V. ADDITIONAL STATE/FIELD OFFICE ROLES AND RESPONSIBILITIES

Designate an individual to coordinate Rural Development response and recovery efforts.

- Obtain the State Preliminary Damage Assessment from FEMA.
- Plan and conduct outreach efforts to reach disaster victims.
- Consider utilizing assistance of field offices outside of the disaster area to support application processing activities.
- Coordinate assistance from local appraisers, insurance adjusters, and other agencies to verify losses when possible.

VI. ELIGIBLE PURPOSES

The repairs must be a direct result of housing needs. The home repairs or replacement must be necessary due to damage caused by the disaster. The following are some examples:

- Structural (foundation, walls, roof, etc.)
- Windows, flooring, interior walls, ceiling, etc.
- Water and wastewater disposal systems
- Heating, ventilating, and air conditioning systems
- Electricity
- Replacement of essential appliances (refrigerators and stoves/ranges)
- Accessibility (Stoop, ramp, etc.)
- Reconstruction of damaged walkways or driveways that previously provided direct access to the dwelling

VII. INELIGIBLE PURPOSES

- Repairs when the condition of the home was not aggravated by the disaster.
- Home affected is not the applicant's primary residence.

- FEMA, SBA, insurance or other covered losses - Disaster assistance has been provided or denied by other sources.
- 504 Grant funds for cosmetic improvements, such as installing ceiling fans, wall cabinets, or crown molding.
- Purchase or replacement of non-essential appliances (washing machines, dryers, microwaves, etc.).

VIII. DOCUMENTATION OF IMPACT

The following documentation must be in the case file:

- Home is in a disaster area identified in the Presidential Disaster Declaration.
- Registration with FEMA for Individual Assistance where the home, owned or otherwise, is categorized by FEMA as being destroyed or having major damage.
- Non-owners must provide documentation regarding destruction of or damage to the residence. This may include an insurance report, an inspection report by an independent fee inspector or government agency, or conclusive photographic evidence showing the construction or damage.
- Applicant's insurance information claim is needed for insurance benefits and evidence to show that the damaged to the property is not fully covered.
- Proof of ownership, rental, or other arrangement for primary residence documentation in the designated disaster area.
- Documentation that the applicant has accepted assistance from all other sources or received notification for which they are eligible, either from FEMA or SBA or other charitable organization.
- Certification written on Form RD 410-4, Uniform Residential Loan Application, page 8, "I/we certify that I/we have not previously nor do I/we anticipate receiving any other payment or benefit of any kind for the same purpose for which I/we am applying for assistance from Rural Development.") This must also be signed by all parties of the application and/or owners of the home to be repaired.
- Staff must make responsible efforts to avoid providing duplicate benefits. This may include verification from the mortgage lender of insurance coverage and verification by the insurer of coverage.
- Applicants and the home must meet the all eligibility requirements for the applicable single-family housing program.
- Grant funds must only be for repairs and improvements that will remove health and safety hazards, or to repair or remodel dwellings to make them accessible and useable for household members with disabilities.

IX. PORTFOLIO MONITORING

Immediately following a disaster there is usually little application activity as most residents are in "recovery mode". Outreach efforts take effect over time, applications

begin coming in, and supplemental funding may or may not become available. The focus is on providing assistance to those in great need. State Offices need to monitor activities of the affected field offices *during* this time.

Items to consider include the following:

- Are there outreach efforts in all affected areas of the designation?
- Are funds being used for persons and families affected or displaced by the presidential declared disaster?
- Are disaster funds utilized for eligible purposes?
- Do applicants meet all 502 or 504 eligibility requirements?
- Does the property meet all 502 eligibility requirements?
- Is FEMA's disaster declaration specified in the case files?
- Is there certification *and* follow up in the applicant's case file to indicate the applicant has not received assistance through homeowner's insurance, FEMA, SBA or other organizations for the same purpose?
- Are the disaster loans and grants coded properly?

Monitoring by the State Office does not end with the file review. Open communication with the staff of the affected field office(s) is important. Communication and coordination with other agencies before, during, and after is important to the success of recovery.

X. CUSTOMER SERVICE AND LOAN SERVICING

Rural Development makes every effort to help existing borrowers who are victims of disaster to recover from the financial hardship, to minimize the potential for delinquency liquidation, and to protect the Government's interest. The Centralized Servicing Center (CSC) will take the lead. However, field office staff may frequently be the first contact point.

Field Staff should refer existing customers seeking loan servicing assistance to CSC at:

USDA Rural Development
 Centralized Servicing Center
 Attn: Cash Management and Borrower Assistance Branch
 Post Office Box 66818
 St. Louis, Missouri 63166-6818
 Phone: (800) 349-5097

NOTE: The following information is provided for awareness of field staff. CSC will continue to provide customers with servicing options and decisions.

Upon notice of a disaster declaration, collection calls and treasury offset will be suspended for all borrowers residing in the declaration area. In addition, the following servicing options will be available for borrowers affected by the natural disaster:

Insured Losses: If security property is to be repaired, the borrower's Rural Development loan account must be current before insurance proceeds can be released. An authorized field office employee may release insurance proceeds less than \$5,000 to the borrower when presented with the insurance company's repair list. Insurance proceeds of \$5,000 or more must be forwarded to CSC, Hazard Insurance Section, according to current claims handling procedures. A field office employee will inspect repairs when completed as required under 7 CFR 3550.110(d) (3) and RD Instruction 1924-A. If security property is not going to be repaired, insurance proceeds must be applied to pay off the loan. Recapture is calculated based on the market value at the time of the loss, according to 7 CFR 3550.162. If market value is less than the debt, CSC will apply the insurance proceeds to the amount of the debt, including recapture. Market value is determined by a recent file appraisal if documented that it represents an accurate indication of value at the time of the loss.

Uninsured Losses: A borrower who sustains an uninsured loss is covered by the moratorium authority below but is in default of the mortgage by failing to keep the property insured. If a borrower incurs an uninsured loss, the field office will notify CSC through Task 285 of the estimated amount of damage to the property and the date of loss. If a borrower is unable to pay off the debt or repair the house with personal resources or other credit, the debt must be settled under 7 CFR 3550.253.

Moratorium: Under the exception authority of 7 CFR 3550.8, CSC is authorized to grant a moratorium for a period not to exceed 180 days for 502 and 504 borrowers located in the declared area. Borrowers who have lost employment, sustained severe property damage or medical expenses, should contact CSC for an extension for up to 18 additional months, not to exceed a total of 24 months. If an extension is not requested, the account will automatically be reamortized at the end of the 180 days. Escrow will not be required.

Reamortization: Since SBA is statutorily prohibited from making disaster loans to persons delinquent on a federal debt, CSC is authorized to reamortize a delinquent 502 Direct account when a borrower shows evidence of application for a disaster loan from the SBA.

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The primary servicing actions in the natural disaster area will continue to be the responsibility at CSC as described in this Handbook; however, assistance may be needed from the Field so that CSC can adequately service the loan.