

## SUPPLEMENTAL GUIDANCE

### Replacement Assistance

June 26, 2003

**PURPOSE:** Replacement assistance, a provision of IHP is not an entitlement program and there is no guaranteed levels of benefits to individuals or households. Replacement assistance will not be provided when any other source has already provided such assistance (insurance), unless the applicant can demonstrate that the assistance provided is insufficient. The primary objective of Replacement Assistance is to assist homeowners in purchasing a replacement dwelling as a part of their permanent housing plan. Replacement assistance is deemed suitable only when other forms of IHP Housing Assistance do not adequately address the applicant's disaster housing needs.

**SCOPE:** The scope of this issue paper is to go over the central lines of reasoning for approving IHP Replacement Assistance.

**POLICY:** *R&R Policy # 9443.9-PO, dated December 10, 2002, (Summation Only):* To be considered for Replacement Assistance the applicant must: 1) Be the Owner-Occupant of the dwelling; 2) The dwelling must have verified real property damage and is deemed destroyed; and 3) The funds will be used toward the applicant's permanent housing plan.

#### **ISSUES:**

1. *What effect does a change in the dwelling's condition, after an initial FEMA inspection, have on Replacement Assistance eligibility?*
2. *What effect does receipt of an SBA loan have on Replacement Assistance eligibility?*

#### **DISCUSSION:**

Initial determinations of the suitability of Replacement Assistance hinges on a FEMA inspection of the dwelling deeming it destroyed (dwellings deemed unaffected or repairable are ineligible). Under current guidance, if the dwelling is destroyed, then the DFO evaluates the case, to include speaking with the applicant, to determine if replacement is a more suitable form of housing assistance, without consideration to the SBA status.

Secondary determinations of the suitability of Replacement Assistance may become necessary when an applicant receives a second FEMA inspection or there is a jurisdictional (county, local) designation that the dwelling is destroyed. There are several non-disaster related reasons why a jurisdiction (state or local) could designate a dwelling as "destroyed." FEMA's inspection results do not take precedence over a jurisdictional determination on the dwelling and jurisdictional determination does not always automatically necessitate a change in the dwelling status to FEMA.

Determining an unmet housing need of an applicant is not straightforwardly calculated. It requires in-depth case analysis of the applicant's housing situation, because a FEMA inspection of a destroyed dwelling is not analogous with any other entity's real property verified loss (Insurance Company). When determining a unmet need, do not presume that because the loss shown in the FEMA inspection is greater than the other entity's real

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property verified loss (Insurance settlement) there is an unmet housing need. A FEMA estimated loss for a destroyed dwelling is calculated based on square footage and ONLY applies to Replacement Assistance. The estimated loss is used to support eligibility determinations for Replacement Assistance and should not be used in other calculations.

#### **DECISION:**

1. All initial FEMA inspection of dwellings that are designated as “destroyed” satisfies the criterion outlined in *R&R Policy # 9443.9-PO* and should be considered for Replacement Assistance, regardless of the applicant’s SBA status. Programmatically this means receipt of an SBA loan, either before or after the applicant is considered for replacement assistance, is not a factor in the decision making process.
2. A change in the dwelling’s condition (secondary determinations) is to be evaluated as follows:
  - a. Applicant receives a second FEMA inspection:
    - i. If the second inspection designates the dwelling as “destroyed,” follow the established process for Replacement Assistance. The new designation satisfies the criterion outlined in *R&R Policy # 9443.9-PO*.
    - ii. If the second inspection does not change the dwelling status, do not process for Replacement Assistance.
  - b. Applicant receives an official jurisdictional condemnation notice:
    - i. If the jurisdictional notice designates the dwelling as destroyed or to be demolished, follow the established process for Replacement Assistance. The jurisdictional condemnation notice satisfies the criterion outlined in *R&R Policy # 9443.9-PO*.
    - ii. If the jurisdictional notice does not designate the dwelling as destroyed or to be demolished, do not automatically process for Replacement Assistance. Additional analysis will need to be done to determine what effect the condemnation notice has on the actual structure of the dwelling. **Note:** There are several non-disaster related reasons why a jurisdiction (state or local) could condemn a dwelling.