

DRA Program Questions and Answers

GRANT REQUEST SUBMISSION

Q: Can DRA funds be reserved prior to submitting a grant application?

A: No, our program does not allow reserving funds before submitting an application. Upon receipt of a complete DRA request application via the GrantConnect portal, the requested grant amount is earmarked for the specific application on a first-come, first-served basis.

Q: Can partial DRA applications be submitted?

A: No, each application must include all applicable items as detailed on the Request for Disbursement of Funds form when uploaded through the GrantConnect portal. Applications not containing the required initial documentation will delay review of the grant request.

HOUSEHOLD REQUIREMENTS

Q: How is the household size determined?

A: Any individual who is a permanent resident of the subject home must be included and listed on the Household Income Certification form, along with his or her income, as applicable. All occupants, including minors, are to be identified on the Household Income Certification, as household size determines the household's median income limit requirement. All applicable income amounts, including non-wage income of minors (such as social security or disability) must be included. For qualification, a pregnant woman is counted as two persons within the household size.

Q: Can a household receive more than one DRA grant?

A: A household cannot receive more than one DRA grant in a calendar year. An eligible household can receive a DRA grant in different years if the grant request covers different repairs.

Q: Is ownership of the subject home required?

A: Yes. For a DRA grant, the subject home must be the primary residence for each occupant shown in the grant application, and at least one of the permanent occupants must be an owner in title of the subject home. Additionally, the subject property must have been owned by at least one of the permanent occupants at least 30 days prior to the applicable disaster event.

HOUSEHOLD INCOME REQUIREMENT

Q: How is annual household income determined?

A: There are several acceptable methods of calculating income depending on the source of income and the income documentation. Our program considers income on a forward-looking basis by annualizing documented earnings or benefit amount.

- For wage earners, we require a paystub issued no more than 90 days prior to the date the DRA grant application was uploaded to GrantConnect. For wage earners, the preferred method of income calculation is a determination of annualized income utilizing the Income Calculation Tool available on our DRA website. The Income Calculation Tool is an Excel worksheet which produces a projected annualized income based on gross YTD earnings from the date the YTD earnings began.
- Overtime, bonus, commission, tips, other pay: any recurring OT, bonus, commissions, tips or other pay is considered in determining the qualifying income. We annualize these types of earnings based on average of amounts earned YTD. Depending on the nature of the income type, it may be acceptable to annualize

the YTD amount separate from base salary. One-time pay amounts or income types that are no longer continuing can be excluded from annual income calculation if there is satisfactory documented confirmation of the non-recurring or non-continuation status.

- For Self-employed applicants, we require the most recent 2 years of signed, filed IRS tax returns. Self-employment income is considered stable and eligible for qualifying purposes if the income has been received for a full 2 calendar years. The income is calculated by taking an average of the net profit based on the most recent 2 full years of tax returns. Deductions in income for depreciation, amortization, depletion and other non-cash deductions should be added back to Net Profit on Schedule C, partnership or corporation income to determine compliance income. If the two-year average yields a negative number, the income for self-employment earnings should be reflected as \$0. Net losses from self-employment should not be deducted from any other household income received. If Self-employed is less than 2 years prior W-2's, signed personal and business federal income tax returns may be required.
- For Social Security pension, SSI or Social Security Disability, we require the applicable current benefit letter or statement confirming the gross monthly benefit amount. The gross monthly benefit is annualized for a 12-month period.
- For private pension income, we require a letter or statement from the Pension Plan confirming the current gross monthly pension amount. The gross monthly pension amount is annualized for a 12-month period.

NOTE: Copies of bank statements are not accepted as income documentation for social security or pensions as amounts deposited into bank accounts may not represent full gross amounts.

Q: Does income of minors count as qualifying income?

A: Social Security benefits or Social Security Disability benefits received by the household on behalf of an occupying minor are counted as qualifying income. Job wages earned by an occupying minor are not counted as qualifying income.

Q: Does child support or alimony count as qualifying income?

A: Child support and/or alimony received on a consistent basis is counted as qualifying income. Court records reflecting the income receipt history are required.

Q: Are HUD Housing Vouchers counted as qualifying income?

A: Yes, the monthly Housing Voucher amount must be documented and counted in annual income.

Q: What is the requirement regarding adult occupants of the subject home who have no income?

A: If a household occupant (who is not a full-time student) is 18 years of age or older and has no income, a signed and dated Certification of Zero Income is required. The Certification of Zero Income form must be completed in full, including item #3 of the form. The Certification of Zero Income form is located in the DRA Funding Manual.

Q: Are there some types of income that do not count as qualifying income?

A: Yes. Exhibit G of the AHP Implementation Plan lists income categories that are excluded from consideration as qualifying income. The AHP Implementation Plan can be accessed via the DRA website.

Q: Does the date of income documentation matter?

A: Some income documentation, such as paychecks and verification of employment letters or forms, must be dated within 3 months prior to the date the member submitted the DRA request. Please refer to the Verification of Income instruction page in this Funding Manual to confirm additional requirements or clarification regarding our income documentation requirement.

GENERAL OVERVIEW

Q: What is meant by "Member Cap"?

A: The per-member cap established for DRA is the maximum total amount that can be awarded to each member in a given DRA offering period and/or in a given year, subject to funds availability. Since the DRA program grants are issued on a first-come/first-served basis, the cap amount is not a commitment to, or guaranteed amount for, any individual member.

Q: How can non-profits and other organizations participate in the Disaster Rebuilding Assistance program?

A: The DRA allows for the involvement of an intermediary organization working in conjunction with an FHLB Dallas member institution. An Intermediary means an IRS established 501c3 nonprofit organization, government entity or tribal entity that works with a member institution to facilitate applications for the Bank's Homeownership Set-Aside programs and applicable Voluntary programs. The Intermediary must be current on filing and paid all tax obligations to participate in any program. An intermediary fee for an intermediary is allowed, not to exceed \$750. **An intermediary serving as the project contractor is not eligible to receive an intermediary fee.** The submitting member institution is not eligible to receive an intermediary fee in any situation.

Q: Why does FHLB require documentation before releasing funds?

A: To validate homeowners are eligible for DRA funds and to reduce the potential for recapture of funds from our members, we require verification of household income, evidence of the need for and scope of the planned repairs and documentation of the pass-through of DRA funds.

Q: What constitutes evidence of the need for, and scope of, repairs?

A: Each DRA grant request submission must include a fully-executed DRA Home Repair Estimate (form available in the current DRA Funding Manual) and a pre-rehabilitation inspection report. The Home Repair Estimate must identify the program-eligible proposed repairs in sufficient detail and indicate the labor charge vs. materials cost. (Overall labor charge and overall material cost is acceptable.) For roof repair or replacement, the estimated quantity of shingles must be indicated. For a roof replacement, a FORTIFIED roof is required unless the structure of the home cannot support a FORTIFIED roof. Additionally, the contractor must be FORTIFIED certified, evidence will be required as part of the DRA request. The pre-repair inspection and/or evaluator report must confirm the need for the proposed repairs. Only repair items resulting from the applicable FEMA-declared disaster are eligible for a DRA grant. Repairs not attributable to the indicated FEMA disaster are not eligible for DRA funding.

Q: If the DRA request includes additional repairs with a FORTIFIED Roof, is a separate pre-inspection required in addition to the FORTIFIED Evaluation?

A: If the FORTIFIED Evaluator is also a licensed inspector, the Evaluator can also complete the pre and post inspections for the additional repairs. If the FORTIFIED Evaluator is not a licensed inspector, a separate pre and post inspection may be required depending on the scope of the work. Please reach out to FHLB staff to discuss the scope of repairs and required documents needed.

Q: What constitutes "pass-through" of the DRA grant?

A: Documented evidence is required of the DRA subsidy passing through from the member to the applicable repair/ rehabilitation project, for the benefit of the household. Documentation required to support pass-through of the DRA grant is described in the Inspection and Pass-Through Documentation section of the current year DRA Funding Manual.

GENERAL OVERVIEW CONTINUED

Q: *What are the property inspection requirements?*

A: Pre-rehabilitation and post-rehabilitation inspection reports are required to mitigate the potential risk of fraud and help protect both the homeowner and the member from claims of incomplete or defective workmanship. We do not have a specified inspection report form; the inspector may use their own report format. The pre-rehabilitation inspection report must address the specific items that require modification/rehabilitation or confirm the need for the proposed work identified on the applicable DRA Home Repair Estimate. Pre- and post-repair inspection reports must reflect the inspector's name and contact information. The post-rehabilitation inspection report must confirm the original scope of work was completed in an acceptable manner. Both reports must include sufficient representative photos. Refer to the Inspection and Pass-Through Documentation page in the current DRA Funding Manual for further information.

Q: *Who can perform the inspections?*

A: The pre- and post-inspections must be conducted by an independent third party selected by the member. Unless the intermediary is a government-controlled entity, the third-party inspector must not be related to the intermediary. The same inspector should conduct both the pre- and post-inspections on a given project. (If not, an explanation is required.)

Q: *Who can perform the rehabilitation repairs?*

A: The repair contractor named on the executed Home Repair Estimate should be vetted by the member to establish their qualification credentials. For a FORTIFIED Roof, the contractor must be FORTIFIED certified.

Q: *Are repair change orders allowed?*

A: As stated on the DRA Home Repair Estimate form, we are to be notified of any change in contractor or scope of work. A change in either the contractor or the scope of work will require submission of a revised DRA Home Repair Estimate and may require additional pre-inspection review and/or Sources and Uses of Funds form. A change order reducing the requested DRA grant amount will typically be allowed. Approval of a change order requesting an increase in the DRA grant is subject to funds availability.

Q: *Can DRA funds be used toward new construction?*

A: If DRA funds are being used to substantially re-build or fully re-construct/newly construct in the place of the old structure (homeowner is temporarily displaced), other funding sources must be identified and committed at the time of request for DRA funds. It is expected that the homeowner should be able move back into their home upon the completion of the work utilizing DRA funds. A proposed re-build/re-construct typically requires pre-submission discussion with FHLB staff.

Q: *Do the repairs have to be completed prior to receiving DRA funds?*

A: No. We will accept the fully-executed DRA Home Repair Estimate and pre-inspection report to disburse the funds. Verification of the completed rehab work should be provided within 60 days of the disbursement of funds. Failure to provide the final completion documentation in the time required could result in a delay of future funding and/or a recapture of prior disbursed funds related to the deficient document(s).

GENERAL OVERVIEW CONTINUED

Q: *Are mobile homes or manufactured housing allowed in the DRA program?*

A: Yes; owner-occupied, primary residence mobile homes or manufactured housing, either single or double wide, are acceptable so long as the unit is permanently affixed.

Q: *Can DRA funds be combined with any other approved AHP funds (General Fund and any Targeted Funds and Homeownership Set-Aside Programs) awarded by any Federal Home Loan Bank?*

A: No. A DRA grant cannot be issued in combination with any additional Federal Home Loan Bank funds.

Q: *Can DRA funds be leveraged with non-FHLB funding sources?*

A: Yes. All funding sources are to be identified on the DRA Sources of Funds form.

Q: *Can the homeowner receive cash from the DRA grant proceeds?*

A: No. The full DRA grant amount must pass through to applicable parties in accordance with the documented Uses of Funds. Disbursement of any portion of the grant directly to the homeowner is prohibited.

Q: *How will I know if a DRA funding request is approved?*

A: Upon approval, an email confirming the grant disbursement will be sent to the Member Contact listed on the "DRA Request for Disbursement of Funds" form.

Q: *How will the member institution receive funding after a DRA application has been approved?*

A: We will credit the member's DDA in the amount approved. Upon receipt, the member serves as the gatekeeper of the DRA funds and oversees disbursement of the funds to the applicable contractor and/or intermediary and/or inspector in accordance with their own internal procedures.

Q: *Are extensions for repair completion allowed?*

A: We understand situations may occur outside the member's control. The member should keep us apprised of legitimate delays and continue to monitor the situation to accomplish completion of the applicable project repairs as soon as possible. An ongoing pattern of past-due final documents without adequate justification may impact our ability to disburse future DRA grants for the member.

Q: *If a disbursed DRA grant is canceled, do those funds remain allocated to the member for use with a different applicant?*

A: No. If a disbursed DRA grant is canceled, the amount of the canceled funds revert back to the general pool of funds available on a first-come/first-served basis.

Q: *After a grant is disbursed, what is the required process if the requested repairs are not completed?*

A: After a DRA grant is disbursed, if the project is cancelled due to repairs not completed, we are to be notified via email to the department inbox (ahp@fhlb.com) so the grant can be cancelled. The grant cancellation process will generate a debit to the member DDA in the amount of the grant, reversing the amount originally credited to the DDA. Timing of the cancellation will be coordinated with applicable member staff.

GENERAL OVERVIEW CONTINUED

Q: *What is the process for DRA applications that are withdrawn or declined prior to the grant being disbursed?*

A: If a DRA grant application needs to be withdrawn prior to disbursement, please notify us via email to ahp@fhlb.com and we will withdraw the request in the portal. If a DRA grant application is deemed ineligible by FHLB staff, the applicable member contact will be notified accordingly and we will cancel the grant request in the portal.

Q: *Is the member penalized for DRA grant applications that cancel or withdraw?*

A: There is no financial penalty incurred by the member in connection with a DRA application withdrawal or DRA grant disbursement cancellation. However, a pattern of high cancellation or withdrawal will be a matter of concern and could impact our ability to disburse future DRA grants to your organization.

Q: *What is the most common mistake regarding DRA applications?*

A: The most common oversights are discrepancies in the DRA Sources and Uses form. The total of Sources must match the total of Uses, and the DRA grant amount reflected on the Request for Disbursement of Funds must be supported by the Uses of Funds amount.