#### Chapter 9. Supplemental Grants

#### Overview

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| In this Chapter | This chapter contains the following topics. |

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#### 1. General Information on Supplemental Grants

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| a. Introduction  | A supplemental grant is used in conjunction with an active, approved grant to access remaining grant funds. A supplemental grant may be used with both Specially Adapted Housing (SAH) and Special Housing Adaptation (SHA) grants, and can be combined with any approved plan type. The supplemental grant does not count as a grant use, as it can only be used in conjunction with a previously approved, active grant.Supplemental grants can be requested for a variety of reasons. Common scenarios include changes in the scope of work, unforeseen construction issues that are beyond the builder’s control (e.g. discovering mold after demolition), or an increase in available grant funds caused by an increase in the maximum grant amount.  |
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| b. When to Request | An approved change order may necessitate a request for additional grant funds through a supplemental grant. Supplemental grants may also be used to request remaining grant funds for a mortgage principal balance reduction, if the necessary criteria are met. See Chapter 5, Section 8, for more information about mortgage principal reduction cases.***Important*:** Typically supplemental grants will be requested when a change order arises; however, a supplemental grant may be requested as a result of an increase in the maximum grant amount or the Veteran may request a principal balance reduction. To allow processing for a principal balance reduction or a reimbursement request in all scenarios and for all plan types, a supplemental grant may be requested up to 60-business days after the final disbursement, as long as final accounting has not been completed. A supplemental grant request does not require a minimum escrow account balance. |

####  2. Approving a Supplemental Grant

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| a. Approval Requirements | In order for a supplemental grant to be approved, there must be an active approved grant. Supplemental grant requests must be approved prior to the builder starting the additional work. The SAH Agent must be cognizant of builders who underbid projects to ensure selection, and then create change orders to exhaust the remaining grant funds in the form of supplemental grants.  |

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| b. How to Process the Request  | The supplemental grant request is generally based on an approved change order. In addition to the approved change order, the following documents must be provided:* A revised [*VA Form 26-1852, Description of Materials*](http://vbaw.vba.va.gov/bl/20/cio/20s5/forms/VBA-26-1852-ARE.pdf)(DOM) - The revised DOM should only list the material required for the additional work.
* Plans - If applicable, the plans must clearly illustrate the work described in the change order. The level of detail required depends on the scope of the work. Please refer to Chapter 5, Section 6 for plan requirements.
* Cost Analysis - The cost analysis should include only the additional work proposed. Current system limitations do not allow for a system-based cost analysis for supplemental grants. Therefore, the format may be determined by Regional Loan Center (RLC) management. Deviations in labor and material costs, as compared to original approved grant, should be closely scrutinized by the SAH Agent and RLC management.
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| c. Timeliness Requirement  | In order to reduce construction delays, supplemental grant requests must be reviewed, and approved or denied, by RLC management within 3-business days of receiving the required documentation. ***Note*:** The SAH Agent should work with all parties to ensure construction will continue uninterrupted.  |

#### 3. Impact of Supplemental Funds on the Disbursement Schedule

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| a. Receiving the Supplemental Grant Funds and Amending the Escrow Agreement  | Upon receipt of the supplemental grant funds, the check number and date must be entered in the system to create a new, amended escrow agreement. A copy of the supplemental check must also be uploaded.When creating the amended escrow agreement to include supplemental grant funds, RLCs are encouraged to communicate with builders and structure the new disbursement schedule so that the project is properly funded and construction delays are avoided.  |

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| b. Timeliness Requirement  | An amended escrow agreement must be created and sent to all parties within 3-business days of receiving supplemental grant funds.  |

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| c. Release of Supplemental Grant Funds  | The release of supplemental grant funds will be subject to a completed compliance inspection, if applicable, and will follow the standard disbursement procedure.**Important:** If a supplemental grant was requested for a mortgage principal balance reduction, no compliance inspection is necessary for the release of these funds. The supplemental grant funds are not required to be deposited into an escrow account. RLCs that utilize in-house escrow and must release funds from the VA-controlled escrow account are not required to obtain the builder’s signature on the amended escrow agreement.  |