

CDBG-DR Frequently Asked Questions

As of 11/07/25

1. Do subcontractors need a Unique Entity Identification (UEI) and/or full System for Award Management (SAM) registration and debarment checks?

The developer – the entity entering into the CDBG-DR funding agreement—must obtain a Unique Entity Identifier (UEI) and be registered in SAM.gov. Their subcontractors are not required to be registered in SAM.gov. While it is not mandatory, it is considered a best practice to verify that subcontractors are not debarred by checking their status in SAM.gov.

2. How far must the service area extend for Section 3 compliance in areas of limited population?

HUD defines the Section 3 service area as:

- Within one mile of the Section 3 project site, or*
- If fewer than 5,000 people live within one mile, then the service area is expanded to a circle centered on the project site that includes at least 5,000 people, based on the most recent U.S. Census data.*

The expanded service area ensures that even in rural or sparsely populated areas, there is a sufficient population base to identify Targeted Section 3 workers, who must reside within the defined service area to qualify. In rural communities, the Section 3 service area may be very large. Developers must use and document their best efforts to identify potential Section 3 workers.

Use HUD's [Section 3 Mapping Tool](#) to identify the service area:

- Enter a project address*
- Automatically draw the one-mile radius*
- expand the area if needed to meet the 5,000-person threshold.*

3. Can interim draws be submitted between inspections?

No, draws may only be submitted in conjunction with an inspection report – unless there is a change order that would need an additional draw.

4. How should indirect costs be shown on draw requests for developer-contractors?

Label the full amount of overhead/ indirect costs. Indirect costs are eligible for CDBG-DR reimbursement. DLG will carefully review the eligibility and reasonableness.

5. What triggers developer fee payment on rental projects?

If developer fee is funded by CDBG-DR, payment is triggered upon full lease up of the project.

6. Can additional wage classifications be reused across projects?

No, each project requires its own classification.

7. How will the potential for DOB be managed while applicants await a buyout of their damaged homes?

DLG will require the homebuyer to sign the subrogation agreement and a lien will be recorded against the property that is awaiting buyout. DLG will coordinate with FEMA on the buyout process.

Selling a home does not trigger DOB but could trigger asset test. The Program only is interested in FEMA DOB, not any proceeds that are received after buyer is qualified.

8. Can applicants own two homes during buyout process?

Yes, following the requirements above.

9. What happens if buyout falls through after receiving CDBG-DR assistance?

DLG will add documentation to the file regarding the inability to complete the buyout, but the structure of the CDBG-DR homebuyer subsidy should not change. The homeowner must continue to occupy their new home as their primary residence. If the home is sold prior to completing the income qualification process, the proceeds will be subject to the asset limitations in the Homebuyer policy. If the home sells after the buyer is occupying the new home, no action will occur. However, the seller must notify potential buyers of flood insurance requirements.

10. Can buyout funds be used to pay off loans before repaying CDBG-DR subsidy?

No, buyout funds must reduce the CDBG-DR subsidy first. The CDBG-DR agreement will be amended to account for the buyout funds.

11. What happens to tenants in a CDBG-DR whose income increases over the LMI limit?

If an LMI tenant residing in a CDBG-DR unit income increases, the tenant is not required to move. Instead, at lease renewal, the tenant's rent should be adjusted to 30% of the monthly household income for the duration of the tenancy. If the tenant moves out, the next occupant must qualify as LMI.

12. For homeownership projects, can the CDBG-DR subsidy loan be assumed by another eligible buyer?

No, the program is structured as recapture. That is, if the original homebuyer moves or no longer owns the home, the CDBG-DR subsidy will be recaptured based on the schedule in the loan agreement.

13. What happens to the home if the buyer dies during affordability period?

There is no provision for heirs in the funding agreement at this time. DLG will determine, on a case-by-case basis, if options are available.

