



CDBG-MIT

PROGRAM GUIDELINES

HOMEBUYER ASSISTANCE MITIGATION PROGRAM



DEPARTMENT OF

HOUSING

GOVERNMENT OF PUERTO RICO

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PUERTO RICO DEPARTMENT OF HOUSING
CDBG-MIT PROGRAM GUIDELINES
HOMEBUYER ASSISTANCE MITIGATION PROGRAM
VERSION CONTROL

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1	December 12, 2025	Original Version
2	March 19, 2026	Minor revisions were made in Section 15.2. In Section 4.1, a footnote was modified to include the increase to 120% of AMI approved for products that use FHA mortgage insurance. Minor amendments were made throughout the document. All modifications are highlighted in gray.
3	June 30, 2026	This version includes the following revisions: Section 2: Clarified that the evaluation of high-risk areas may include a site inspection conducted by a qualified professional, and that the results may confirm or modify the initial determination based on landslide risk maps. Section 6: Established that eligible HBA-MIT participants whose properties do not qualify under that program may be referred to the HBA-DR Program, subject to applicable eligibility requirements and funding availability.

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1 Overview

As part of the Puerto Rico Mitigation Action Plan, the Puerto Rico Department of Housing (**PRDOH**), as grantee, has designated the Puerto Rico Housing Finance Authority (**PRHFA**) as the Subrecipient responsible for administering the Homebuyer Assistance Mitigation Program (**HBA-MIT Program**). This Program builds upon the existing Community Development Block Grant–Disaster Recovery (**CDBG-DR**) funds Homebuyer Assistance Program (**HBA Program**) by addressing mitigation-specific risks, ensuring access to safe, resilient housing outside high-risk areas, for Low and Moderate Income (**LMI**) households and members of the Critical Recovery Workforce (**CRW**). In doing so, the Program seeks to strengthen family stability and community cohesion.

The HBA-MIT Program supports the *Food, Water, and Sheltering* lifeline and the *Safety and Security* secondary lifeline by providing housing assistance to address the unmet mitigation needs of LMI and Urgent Need (**UN**) households, as well as CRW individuals seeking to purchase a safe, secure, and sanitary primary residence outside of high-risk areas.

Informed by the Risk Assessment conducted as part of the Mitigation Action Plan, PRDOH has prioritized homeownership assistance to LMI and UN households and introduced incentives for CRW individuals. Recognizing the significant damage caused by hurricane-force winds, the Program emphasizes the promotion of concrete-built structures that are less vulnerable to extreme weather events, further enhancing long-term resilience.

Through this Program, financial assistance is made available to eligible families to mitigate risks from flooding events and hurricane wind forces, thereby providing access to resilient housing options for LMI and CRW populations in safe and resilient locations outside high-risk areas. Furthermore, by targeting mitigation resources where they are most needed, strengthen the long-term resilience of the island's most vulnerable sectors.

The Program acknowledges the vital contributions of CRW members authorized to and currently employed in Puerto Rico, including, but not limited to, atmospheric monitoring specialists, educators, emergency response personnel, firefighters, healthcare providers, infrastructure workers, law enforcement officers, and supply

chain professionals. By facilitating homeownership for CRW members, the Program enhances community stability and disaster resilience across the island.

Applicants who accept a CDBG-MIT award under the HBA-MIT Program must commit to owning and occupying the Program-assisted home as their primary residence for a period of **five (5) years**. This obligation will be secured through a lien on the property and a Second Direct Mortgage and Imposition of Restrictive Conditions, reflecting the amount of CDBG-MIT funds awarded, ensuring compliance with the Program's requirements during the **five (5) year** affordability period.¹

These Program Guidelines are intended to provide an overview of the HBA-MIT Program, as well as to Inform Applicants, potential Applicants, and participating institutions about the guidelines and requirements of the Program.

2 Definitions

- **Acquisition:** The utilization of CDBG-MIT funds to acquire real property.
- **Affordability Period:** The period a homebuyer is required to own and occupy a property as their primary residence, which is tied to the amount of assistance provided.
- **Applicant:** A person or a family that has applied for housing assistance under the HBA-MIT Program.
- **Appraisal:** An estimate of a home's market value based on comparable recent sales in the home's immediate area or neighborhood, conducted by a professional appraiser.
- **Appraiser:** An individual duly licensed and qualified by the Puerto Rico State Department who conducts real estate property appraisals, as established in Act No. 277 of July 31, 1974, as amended.
- **Area Median Family Income (AMFI):** Median household income adjusted by family size for a given area. HUD has adjusted income limits for all of Puerto Rico.

¹ Federal Register Notice, Vol. 85, No. 17 (January 27, 2020) 85 FR 4681, 4687. Accessed at: <https://www.govinfo.gov/content/pkg/FR-2020-01-27/pdf/2020-01204.pdf>

HUD adjusts income limits annually and publishes them on the HUD Exchange website.²

- **Award Commitment Letter:** Notification sent to an Applicant and Co-applicant indicating the action of reserving funds that are conditionally awarded to the Applicant as a grant for purchasing a specific dwelling unit. It is a pre-obligation; it is not legally binding and shall be valid for **sixty (60) days**.
- **Back-end Ratio:** Also known as the Debt-to-Income Ratio, this percentage expresses the relationship between a borrower's total monthly obligations (including the total mortgage payment) and their gross monthly income.
- **Borrower(s):** A person who applied for and received a loan in the form of a mortgage and owes a debt to a creditor or lender.
- **Case Manager:** An employee or authorized representative of PRHFA who serves as the Applicant's primary point of contact. The Case Manager is responsible for collecting documents, conducting the eligibility review, and income verification. The Case Manager recommends the Applicant's eligibility and manages the eligibility reconsideration process.
- **Closing Costs:** Ordinary and reasonable expenses above the property sales price incurred by buyers and sellers when transferring property ownership and acquiring financing through a mortgage loan.
- **Closing Disclosure:** A form that provides the final details required to complete the mortgage loan process by qualified Applicants under the Program. It includes a breakdown of loan terms, projected monthly payments, closing costs, and down payment fees.
- **Community Development Block Grant – Mitigation (CDBG-MIT):** A term used to reference the legal framework under which HUD assigns administrative responsibilities over fixed amounts of federal funds allocated via congressional appropriations to eligible Grantees.

² HUD Modified Income Limits change annually. See: <https://www.huduser.gov/portal/datasets/cdbg-income-limits.html>.

- **Consumer Financial Protection Bureau (CFPB):** Agency that implements and enforces Federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive.
- **Critical Recovery Workforce (CRW):** For purposes of this Program, the CRW refers to employed and documented workforce members authorized and currently exercising their profession in Puerto Rico. Employed and documented CRW members include, but are not limited to:
 - **Atmospheric Surveillance:** Staff employed by a federal, state, or local entity to monitor atmospheric conditions.
 - **Education:** Employees of a duly accredited public or private educational institution in Puerto Rico that provides direct services to students. This category includes pre-kindergarten through 12th-grade teachers, university professors, librarians, counselors, social workers, and other related personnel who provide services in Puerto Rico's educational environment.
 - **Emergency Management:** Workers employed in public or private management of emergency disasters in Puerto Rico and recovery work.
 - **Emergency Medical:** Personnel employed in a Puerto Rico emergency services unit (public or private accredited entity). A person authorized by the Puerto Rico Secretary of the Health Department who has received training in emergency medical technology. These training include, among others, communication, emergency patient care, maintenance of work equipment, techniques and procedures of the Emergency Room (ER), patient handling and transportation, knowledge of obstetric procedures, and assistance in respiratory and cardiac emergencies.
 - **Firefighters:** Personnel employed as firefighters by the Puerto Rico Fire Department ("Cuerpo de Bomberos de Puerto Rico"). Properly trained and directly performs tasks aimed at guaranteeing the protection of citizens against fires, preventing and fighting fires, saving lives, and determining the origin and cause of the fire. This definition includes firefighters who serve as inspectors.

- **Healthcare Professionals:** Medical professionals duly authorized to practice in Puerto Rico (public or private accredited entity). Any profession in the health and medical care field, such as doctors, surgeons, dentists, pharmacists, nurses, and medical technologists, among others, as authorized by the corresponding laws of Puerto Rico. Employed specialists in social work, psychologists, psychiatrists, and counselors authorized to practice the profession to provide prevention, treatment, and rehabilitation services in mental health. This category includes, but is not limited to, professionals from the Mental Health and Addiction Services Administration (**ASSMCA**, by its Spanish acronym) and professionals from the private sector.
- **Infrastructure:** Workers responsible for addressing the needs of Puerto Rico's critical infrastructure, such as maritime ports, airports, aqueducts and sewers, electricity, gas, telecommunications, roads, highways, and transportation.
- **Law Enforcement:** Law enforcement officers employed by a federal, state, or municipal law enforcement entity in Puerto Rico. In carrying out such employment, they are sworn to uphold the law and to make arrests for violations of federal, state, or municipal laws. This category includes federal, state, and municipal police officers; correctional officers in state or federal correctional departments; Puerto Rico National Guard members; and all branches of the U.S. Military Services.
- **Supply Chain:** Employees engaged in the transportation and delivery of food, health equipment, products, and basic necessities.
- **Veterinary/Animal Services:** Animal medical professionals admitted to practice in Puerto Rico (public or private accredited entity). Employees of registered organizations dedicated to the services that benefit animals, such as animal rescue.
- **Down Payment:** Refers to the product of the selling price minus the amount of money borrowed to purchase the property.
- **Duplication of Benefits (DOB):** Financial assistance received from another source that is provided for the same purpose as CDBG-MIT funds.

- **Eligible Homebuyer:** Refers to a member or members of a household that meet LMI or UN income qualifications and do not own a residential property at the time of applying for housing assistance. The household member must also meet the Program's mortgage eligibility criteria. For the HBA-MIT Program, "homebuyer" includes certain exceptions, such as: individuals or, in the case of married couples, an individual and their spouse who have been displaced homemakers and do not currently own a residential property; and individuals or single parents who previously owned a home jointly with a former spouse while married but no longer retain ownership.
- **Fair Housing Act (FHA):** The Fair Housing Act of 1968, 42 U.S.C. §§ 3601-3619, prohibits discrimination against protected classes of people in the sale or rental of housing, in the provision of housing assistance, or other housing-related activities. The Act obligates HUD grantees and their subrecipients to take reasonable steps to ensure meaningful access to their programs and activities for protected classes. The Act also requires HUD and its program participants to affirmatively further the purposes of the FHA.
- **Final Award:** The amount of funding reserved for the Applicant as determined by PRHFA.
- **Front-end Ratio:** The relationship, expressed as a percentage, between an Applicant's housing expense and their gross monthly income. This includes principal, interest, taxes, hazard insurance, flood insurance, and mortgage insurance.
- **Grant:** Direct financial assistance provided to LMI and UN-eligible homebuyers to reduce their interest rate and mortgage principal.
- **Hazard Insurance:** Insurance coverage that protects a property owner against damage caused by earthquakes, hurricanes, fires, or other natural events.
- **HBA-MIT Platform:** Refers to the web-based system created by PRHFA to facilitate the administration of the HBA-MIT Program. It can be accessed at <https://www.apps.afv.pr.gov/HBA/login.aspx>.
- **High-Risk Property:** The Program defines a High-Risk Property as one where (1) the living areas are not entirely constructed of concrete, or (2) the property is located within a regulated floodway as identified on the FIRM, PFIRM, or ABFE

maps, or (3) the property is situated within an area classified as high, very high, or extremely high landslide risk³.

- **Household Income:** The anticipated adjusted gross income from all sources for all adult family members (18 years or older) as defined for reporting under the Internal Revenue Service (**IRS**) Form 1040 series for individual income tax return.⁴
- **Household Member:** A household member is defined as any person occupying the same housing unit, regardless of their relationship. It may include minor children, temporarily absent family members, and permanently absent family members (such as those who reside in a nursing home). For this Program, household members should not own residential property, except for a married individual who does not own a home with a spouse. Determination by PRHFA will be done on a case-by-case basis.
- **Household Size:** All persons occupying the same housing unit, regardless of their familial status or relationship. The household size includes all persons, including minor children and adults.
- **Housing Counseling Agency (HCA):** Either public or private nonprofit organization (i) established as a HUD-approved provider of homebuyer education courses for at least **one (1) year** in the geographical area in which it provides services, (ii) is knowledgeable concerning the local housing market, and (iii) have met the regulations found at 24 C.F.R. Part 214 to obtain HUD approval.
- **Lending Institution(s):** Financial and mortgage institution(s) duly authorized by the Office of the Commissioner of Financial Institutions (**OCIF**, as its Spanish acronym) and the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico (**COSSEC**, as its Spanish acronym), or the National

³ In instances where a property is preliminarily identified as being located within an area classified as high, very high, or extremely high landslide risk based on applicable mapping data, the Program may require a site inspection conducted by a qualified professional. The purpose of such inspection shall be to assess site-specific conditions and provide a professional certification or opinion regarding the presence of landslide risk. Findings from the site inspection may be considered by the Program to supplement, clarify, or amend the initial determination derived from the review of landslide risk maps, as appropriate.

⁴ The IRS forms are updated annually and are available on the IRS website: www.irs.gov.

Credit Union Administration (**NCUA**), as applicable, to carry out mortgage business in Puerto Rico.

- **Long-Term Mortgage:** A **thirty (30)-year** fixed-rate and fully amortized loan product.
- **Low- and Moderate-Income (LMI):** Low- and moderate-income populations have incomes not more than **eighty percent (80%)** of the AMFI established by HUD. This income standard changes yearly and varies based on household size and geography.⁵ HUD has calculated adjusted income limits for Puerto Rico, based on an LMI determination. The Program aims to provide at least **fifty-five percent (55%)** of the available funds to LMI Applicants.
- **Maintenance Activities:** For this Program, maintenance activities refer to any property requiring minor and nonstructural maintenance activities as per the HUD CPD-16-02 notice or any other program document.
- **Mortgage:** A loan on which property or real estate is used as collateral. The Borrower agrees with a mortgage lender that the Borrower receives cash up front and then makes payments over a set time until the entire loan is repaid to the mortgage lender.
- **Non-Governmental Organization (NGO):** A private non-profit organization that operates independently from the government.
- **Non-occupant borrower:** A person who co-signs a mortgage loan but has no title on the purchased property. When applying for HBA assistance, all borrowers should hold the property title and qualify for the Program.
- **Participating Institution(s):** Includes lending institutions duly authorized to carry out mortgage business in Puerto Rico and NGOs that comply with the Guidelines and applicable laws' requirements to participate in the Program and enter into agreements required by PRHFA.

⁵ HUD Modified Income Limits change annually. See: <https://www.huduser.gov/portal/datasets/cdbg-income-limits.html>.

- **Principal or Primary Residence:** Refers to a dwelling where a person maintains or will maintain a primary residence, which will be occupied for the majority of the calendar year. A person may only have **one (1)** primary residence at a time.
- **Property Value:** A property's most probable price under normal, competitive, and open market conditions. The property market value must be established through an appraisal.
- **Mitigation Action Plan and its Amendments (APA):** Defines how the CDBG-MIT funding allocation by HUD will be utilized to carry out strategic and high-impact activities aimed at mitigate disaster risks and reducing future losses. The Action Plan describes how mitigation needs across the housing, planning, multi-sector, and infrastructure sectors will be addressed. See <https://recuperacion.pr.gov/en/action-plan/> for the English version and <https://recuperacion.pr.gov/plan-de-accion/> for the Spanish version.
- **Puerto Rico Department of Housing (PRDOH):** PRDOH has been designated the Grantee responsible for administering the CDBG-MIT funds allocated to Puerto Rico. PRDOH will oversee this Program.
- **Puerto Rico Housing Finance Authority (PRHFA):** A government instrumentality of Puerto Rico. It is also the designated Subrecipient tasked with administering this Program.
- **Purchase Price:** The cost of acquiring a residence. The purchase price cannot exceed the appraisal value to qualify for this Program.
- **Real Estate Owned (REO):** A property owned by a lender, such as a bank, successfully sold at a foreclosure auction. A HUD REO home is a property without liens sold by the government.
- **Recapture:** Refers to the provisions ensuring PRHFA recoups all or a portion of the CDBG-MIT assistance to Borrower(s), if the acquired property no longer constitutes the principal residence of the assisted family or individual for the duration of the affordability period.
- **Rehabilitated Property:** For this Program, it refers to any property requiring minor and nonstructural repairs. The rehabilitation costs shall have a cap of **seventy-five thousand dollars (\$75,000.00)**.

- **Release of Restrictive Conditions:** The deed and other document(s) the PRHFA shall prepare, issue, and present at Puerto Rico's Property Registry or cause to be prepared or issued. These documents serve to release PRHFA's restrictive conditions on each assisted property upon the homebuyer's compliance with the affordability period and all other program requirements.
- **Restrictive Condition:** Means any restriction or obligation registered against the property's title through a public deed, which binds the owner and restricts the use of the property.
- **Second Direct Mortgage:** A deed next in rank after the first mortgage deed on the same property.
- **Special Flood Hazard Area (SFHA):** The terms used by the Federal Emergency Management Administration (FEMA) in the National Flood Insurance Program (NFIP) refer to the land area covered by the floodwaters of the base or 100-year flood (an area of land that has an approximate **one percent (1%)** probability of a flood occurring on it in any given year).
- **Subrecipient Agreement (SRA):** Contract between PRDOH and PRHFA to administer and implement this Program.
- **Unfair Lending Practices:** Unfair, deceptive, abusive acts and practices or unscrupulous actions carried out by a lender to entice, induce and/or assist a borrower in taking a mortgage that carries high fees, a high-interest rate, strips the Borrower of equity, or places the borrower in a lower credit-rated loan to the benefit of the lender.
- **United States Department of Housing and Urban Development (HUD):** The principal federal agency responsible for programs concerned with serving unmet housing needs, enforcing fair housing, and promoting community development.
- **Urgent Need Mitigation (UNM):** Refers to incomes at the **one-hundred and twenty percent (120%)** of AMFI as established by HUD. This income standard changes yearly and varies based on household size and geography. HUD has calculated adjusted income limits for Puerto Rico, based on an UN determination.

3 Program Description

The HBA-MIT Program is a mitigation-focused program targeting the Food, Water and Sheltering lifeline and the Safety and Security secondary lifeline. This includes the Housing, First Responders, and Emergency Services sectors. The Program provides homeownership assistance as a mitigation solution against floods and hurricane wind-forces for eligible homebuyers.

Furthermore, the HBA-MIT Program will contribute to the long-term sustainability and viability of the communities across the Island impacted by previous disasters. This will be achieved by incentivizing CRW to reside in local communities. The retention of CRW and other essential workers was already a challenge to the stability and sustainability of Puerto Rico's communities before the hurricanes. Following these catastrophes, the problem has only intensified. Risk assessment results show decreasing levels of homeownership throughout the island and a growing number of vacant homes. Not only does this create ripple effects throughout our communities, but it also impacts schools and the Island's economy through business closures, decreased workforce, and decreased revenues. All of this reduces the public sector's financial capacity, delays post-disaster recovery, and perpetuates our Island's vulnerability to future hazards.

The Program aims to mitigate flood and wind-force risks by investing CDBG-MIT funds to provide direct assistance to homebuyers. This Program seeks to increase the opportunity for LMI families and individuals, as well as those with urgent mitigation needs, who do not own a primary residence, to acquire property outside high-risk areas. At the same time, it addresses the need for permanent, safe, quality, resilient, and affordable housing.

PRHFA, as the designated Subrecipient, will administer the CDBG-MIT funds to assist eligible homebuyers with purchasing a new or existing property.

Applicants may qualify for financial assistance through a grant to purchase a new or existing home. The underwriting criteria outlined in these Guidelines will determine the assistance amount. The Program will provide grants of up to:

- A maximum of **forty-five thousand dollars (\$45,000)** per eligible LMI and UN household; and

- A maximum of **fifty-five thousand dollars (\$55,000)** per eligible LMI and UN for households with CRW members.

Properties located in Urban Centers, as certified by PRDOH, may receive an additional **five thousand dollars (\$5,000)** in assistance to be used towards the purchase price.

PRHFA, in collaboration with PRDOH, will assertively make every effort to affirmatively further fair housing and engage lending institutions, professional associations, protected classes of potential homebuyers, and other identified Program stakeholders to perform marketing and outreach activities. See the Affirmative Marketing and Fair Housing section in these Guidelines for more information.

Intake will begin with a publicly announced application process. Applicants and potential Applicants will be able to learn about the Program and stay up to date through multiple communication channels in this way, the Program ensures interested parties receive timely and accurate information about the Program and its requirements. Communication methods may include, among others, the Puerto Rico CDBG-DR/MIT website, PRHFA's website, published Program materials, mass media, and other related communication methods. The application process will be open until the Program funds are depleted.

4 National Objective

All CDBG-MIT Program activities must meet one (1) of the HUD national objectives at 24 C.F.R. § 570.483, as modified by the waiver and alternative requirements published in Federal Register Notice, Vol. 84, No. 169 (August 20, 2019), 84 FR 45838, 45839. All projects in the HBA-MIT Program must meet one (1) of the following national objectives:

- **LMI Housing (LMH)** – benefits LMI⁶ persons, that is, income below the 80% AMFI. This is validated through the collection of information on household composition and income.

⁶ Low-to moderate-income people are those having incomes not more than the "moderate-income" level (80% Area Median Family Income, adjusted for family size) set by the federal government for the HUD-assisted Housing Programs. Federal Register Vol. 86, No. 3 (January 6, 2021), 86 FR 569, Section V.B states, "In order to ensure consistency with the use of CDBG-DR funds that are governed by alternative income limits authorized by the Department, the Department is extending the income limit adjustments of the August 14, 2018 notice to all CDBG-DR funds allocated under Public Laws 115-56, 115-123, and 116-20 and to CDBG-MIT funds allocated to Puerto Rico for mitigation activities under Public Law 115-123. Under this extension, Puerto Rico may use these alternative income limits when determining whether activities undertaken with CDBG-DR or CDBG-MIT funds meet the low- and moderate-income benefit CDBG national objective criteria." The applicable income tables change annually and are posted on the U.S. Department of Housing and Urban Development webpage at <https://www.huduser.gov/portal/datasets/cdbg-income-limits.html>.

- **Urgent Need Mitigation (UNM)** – pursuant to the waiver at 84 FR 45838, 45857 (section V.A.13.C.), the criteria for the urgent need national objective at 24 C.F.R. § 570.483(d) and § 570.208(c) are replaced with the alternative criteria that the assisted activities: (i) address the current and future risks as identified in the CDBG-MIT Action Plan Mitigation Needs Assessment of most impacted and distressed (**MID**) areas; and (ii) result in a measurable and verifiable reduction in the risk of loss of life and property. The Program aims to meet the urgent need mitigation by improving homeownership opportunities for households below **one hundred and twenty percent (120%)** AMFI, who do not own a home.⁷

4.1 Additional National Objective Criteria Applicable to MIT Funding

The provisions of 24 C.F.R. § 570.483(e) and § 570.208(d) are modified by an alternative requirement that adds the following criteria applicable to all mitigation activities funded with CDBG-MIT funds:

- (i) Demonstrate the ability to operate for the useful life of the project; and
- (ii) Be consistent with other mitigation activities by not increasing the risk of loss of life or property in a way that undermines the benefits from other uses of CDBG-MIT funds.⁸

5 Eligible Activities and Use of Funds

All projects funded by CDBG-MIT must meet a HUD-eligible activity, as defined by Section 105(a) of the Housing and Community Development Act of 1974 (**HCDA**), as amended, 42 U.S.C. § 5305. Eligible activities for the HBA-MIT Program include:

- Section 105(a)(24) (24 C.F.R. 570.201 (n))– Homeownership Assistance

⁷ FHA Policy, as defined in their Single-Family Policy Handbook 4000.1, states that an affordable housing program “must serve Low- to Moderate-Income individuals or families. Low- to Moderate-Income individuals or families refer to individuals or families whose household income **does not exceed 115 percent (115%) of the median income** for the area when adjusted for family size. The Jurisdictional Homeownership Center (**HOC**) may approve a higher percentage of up to 140 percent”.

On March 18, 2026, the Atlanta Homeownership Center notified the approval of the increase to the standard 115% AMI limit as established in the CFR and the Handbook, allowing AFV to provide down payment and closing cost assistance to borrowers using FHA mortgage insurance with incomes of up to 120% of AMI for the purchase of eligible properties in Puerto Rico. This allows FHA’s AMI limit to align with HUD’s Office of Community Planning and Development’s 120% AMI limit, thereby enabling AFVs to leverage available funds under the CDBG-MIT Program.

⁸ See, 84 FR 45838, 45856–57.

The HBA-MIT Program utilizes CDBG-MIT funds to provide direct assistance to homebuyers to:

- Subsidize interest rates and mortgage principal amounts for LMI and UN homebuyers. The grant will be applied toward the purchase price.
- For LMI and UN homebuyers, pay up to **one hundred percent (100%)** of the down payment required by the mortgage for the purchase on behalf of the purchaser.
- Pay reasonable closing costs associated with the home purchase on behalf of the purchaser for LMI and UN homebuyers.

Assistance will be awarded as a grant to eligible Applicants seeking financing to purchase a primary residence through a Participating Lending Institution. It will cover an Applicant's unmet need required for the purchase. To qualify as an Applicant, the individual or household must meet all Program eligibility requirements and actively seek assistance to purchase a primary residence. Individuals or families previously receiving financial aid through the CDBG-DR Homebuyer Assistance Program are not eligible to participate in the HBA-MIT Program.

5.1 Ineligible Use of Funds

The following are ineligible uses of funds or activities for this Program. This list shall not be interpreted as all-encompassing and may be subject to change.

- Delinquent property taxes;
- Fees or charges on properties that are the result of the seller;
- Refinancing a property;
- Purchase of property inherited by the Applicant or any property where the Applicant is part-owner;
- Finance acquisitions of second homes and investment properties; and
- Acquisition of bonds or stock.

6 Program Intake and Eligibility

The PRHFA will execute a Memorandum of Understanding (**MOU**) with Lending Institutions to assist with the Program's intake and additional procedures, as applicable. Interested Applicants may apply for the HBA-MIT Program through a Participating Institution of their choice, PRHFA, or an authorized PRHFA representative. All applications must mitigate a risk-based need identified in the housing risk assessment. Therefore, each application must mitigate the impact of natural disasters

by facilitating housing alternatives outside areas where the geography presents localized high risks.⁹

The HBA-MIT Program may refer participants to the HBA Program under the CDBG-DR grant when a property has been determined ineligible due to mitigation requirements. Such participants may be considered for assistance under the HBA Program, subject to compliance with all applicable Program requirements and the availability of funds.

6.1 Program Eligibility

Applicants will be screened for eligibility to ensure compliance with HBA-MIT Program requirements. Applicants must provide complete and accurate information regarding their household's composition, gross monthly income, and other eligibility criteria. Cash on hand or other liquid assets holdings that are non-DOB will not be used to determine program eligibility. Failure to disclose accurate and complete information may affect eligibility. In all such instances, the matter will be referred to the Program for further action. The Lender Institution or PRHFA will submit the Program application through the HBA-MIT Platform upon providing complete and accurate information. Upon application submission, PRHFA or its authorized representative will conduct an eligibility review to verify if the Applicants are eligible to receive assistance according to the criteria outlined in these Guidelines.

Each application will be reviewed for the following eligibility and benefit determination criteria:

- The Applicant must be a U.S. citizen, non-citizen national, or qualified alien as defined herein.
- Must meet the income requirements for an LMI or UNM household. As established by HUD, the Applicant's total household income must not exceed the one-hundred-twenty percent (120%) AMFI limits.
- The Applicant must meet the definition of "Eligible Homebuyer" (See Definitions section).
- Complete a Homebuyer Education Course provided by a HUD-certified counselor and submit a certificate of completion before closing.

An "Eligible Homebuyer" could include single parents who owned a home with a former spouse while married, and the displaced homemakers who owned a home with a

⁹ Refer to the definition of High-Risk Property in these Guidelines.

spouse. In the case of a divorce, the Applicant will be required to provide evidence of divorce stipulations indicating that the former spouse owns the property. However, an individual shall not be excluded from consideration as an Applicant solely based on their marital status.¹⁰

Likewise, an individual who is or has been a victim of domestic violence, dating violence, sexual assault, stalking, or is affiliated with an individual who is or has been a victim of domestic violence, dating violence, sexual assault, or stalking, will not be subject to more demanding standards than other Applicants.¹¹ Furthermore, if an Applicant has been a victim of domestic violence, dating violence, sexual assault, or stalking by a household member or guest, the HBA-MIT Program may not deny assistance solely based on criminal activity relating to domestic violence, dating violence, sexual assault, or stalking.

An “Eligible Homebuyer” may also include an Applicant, as illustrated in the following non-exhaustive list, which is:

1. Displaced homemaker;¹²
2. Single parent;¹³
3. Married individuals who do not own a home with their spouse;
4. An Applicant who is a party in a court proceeding pending judgment related to the marital home property. However, in the case of divorce, the Program will perform a case-by-case analysis of the evidence provided of divorce stipulations that indicates the former spouse owns the property;
5. An Applicant with an inheritable interest in a property, and other co-heirs, may meet the definition of an “Eligible Homebuyer”. However, in the case of a single heir, the Program will perform a case-by-case analysis to determine compliance with the definition.

¹⁰ Housing providers cannot discriminate based on any protected characteristic, including race, color, national origin, religion, sex, familial status, disability, or age. HUD-assisted and HUD-insured housing must be made available to all otherwise eligible individuals regardless of actual or perceived sexual orientation, gender identity, or marital status.

¹¹ HBA Program assistance is made available to all individuals regardless of sex, gender identity, or sexual orientation.

¹² “Displaced homemaker” means an individual who: (1) Is an adult; (2) Has not worked full-time full year in the labor force for a number of years, but has, during such years, worked primarily without remuneration to care for the home and family; and (3) Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment. 24 C.F.R. § 93.2.

¹³ “Single parent” means an individual who: (1) Is unmarried or legally separated from a spouse; and (2) Has one or more minor children of whom the individual has custody or joint custody or is pregnant. 24 C.F.R. § 93.2.

PRHFA or its authorized representative will determine eligibility for each submitted Program application. Eligibility determinations will be based on the documentation submitted by the Applicant and on verification of information by third-party sources, including federal databases. In addition, it will be carried out in accordance with the applicable statutes, the Code of Federal Regulations (**CFR**), state and local codes, and Program Guidelines.

6.1.1 Applicant Identification

As part of the Program application, all Applicants and household members must submit documentation to prove their identity. PRHFA or its authorized representative will ensure the documentation is valid and current during the eligibility review. This documentation may include, but is not limited to, the following:

- Government Issued Photo Identification (Federal or State Issued);
- Driver's License;
- Passport;
- Military ID Card;
- Birth Certificate; or
- Certificate of Naturalization or Permanent Resident Card.

*Birth certificates may only be used as proof of identification (ID) for the Applicants' household members. Applicants must submit a Photo ID.

6.1.2 Applicant Citizenship

Participation eligibility to receive assistance is limited to U.S. citizens, non-citizen nationals, or qualified aliens, as defined in the following chart.

Status	Definition
U.S. Citizen	A person born in one (1) of the fifty (50) U.S. States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, or the Northern Mariana Islands; a person born outside of the U.S. to at least one (1) U.S. parent; or a naturalized citizen.
Non-Citizen National	A person born in an outlying possession of the U.S. (e.g., American Samoa or Swain's Island) on or after the date the U.S. acquired the possession; a person born outside the U.S. and its

	outlying possessions whose parents are U.S. non-citizen nationals. 8 U.S.C. § 1408. All U.S. citizens are U.S. nationals; however, not every U.S. national is a U.S. citizen.
Qualified Alien	Legal permanent resident (“green card” holder), under the Immigration and Nationality Act (INA), 8 U.S.C. Chapter 12; An asylee, refugee, or alien whose deportation is being withheld under the INA; An Alien paroled into the U.S. for at least one (1) year, according to INA; Alien granted conditional entry, pursuant to section 203(a)(7) of the INA as in effect prior to April 1, 1980; Cuban/Haitian entrant, as defined in section 501(c) of the Refugee Education Assistance Act of 1980, 8 U.S.C. § 1522; Alien who (or whose child or parent) has been battered or subjected to extreme cruelty in the U.S. and otherwise satisfies the requirements of 8 U.S.C. § 1641(c).

As part of the Program application, all Applicants must submit documentation to prove their citizenship. This documentation may include, but is not limited to, the following:

- Passport;
- Birth Certificate;
- Certificate of Naturalization;
- Certificate of Citizenship; or
- Permanent Resident Card (“green card”).

If the Applicant is unable to provide any of the documents listed above, the HBA-MIT Program will, on a case-by-case basis, accept documentation listed in the Interim

Guidance on Verification of Citizenship, Qualified Alien Status and Eligibility, as proof of citizenship or legal presence.¹⁴

Temporary tourist visa holders, international students, temporary work visa holders, and habitual residents, such as citizens of the Federated States of Micronesia and the Republic of the Marshall Islands, are ineligible for the Program.

6.2 Income Verification and Household Size

The Applicant and all household members aged eighteen (18) or older at the time of the Program application must provide accurate and complete income documentation to determine the household Income. The household income shall be calculated pursuant to the methodology established by the Internal Revenue Service (**IRS**) for the *IRS Form 1040* series for individual income tax returns. It shall be documented in the HBA-MIT Platform by PRHFA. To determine the annual income for eligibility purposes, the Program will project the prevailing income of each Applicant and household members aged eighteen (18) or older at the time the assistance is provided to the household. All sources of income must be disclosed and will generally be considered when determining the household income.

To be eligible for the Program, the Applicant's projected total Household Income for the **twelve (12) months** following the Closing Date must not exceed 120% of the Puerto Rico AMFI adjusted by household size. Income documentation must always be up to date. Sudden changes in household income and/or size must be documented and explained. PRHFA reserves the right to request additional information or documentation as necessary. In addition, PRHFA reserves the right to evaluate the household income at any moment during the application review to ensure funds are awarded to Eligible Homebuyers.

6.3 Housing Counseling

Housing counseling performed by HUD-certified professionals enables better-performing loans to better-qualified borrowers, resulting in stronger communities with healthier economies and fewer foreclosures.

All eligible Applicants will be required to attend a housing counseling course provided by a HUD-certified Housing Counseling Program regarding the responsibilities of

¹⁴ Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, published by the United States Department of Justice, Federal Register Vol. 62, No. 221 (November 17, 1997), 62 FR 61344.

homeownership. Once the Applicant receives the Eligibility Notice, they will be automatically assigned to a Housing Counseling Agency. The assigned Agency will contact the Applicant to coordinate the date, time, and modality of the Homebuyer Education Course. The Counseling Agency will also inform the Applicant of the established deadline to complete the course required by the HBA-MIT Program.

HUD-certified Housing Counselors would provide a Homebuyer Education Course specific to the needs of these Applicants. Housing counseling for this Program must adhere to the following standards:

- Counseling may occur in the Housing Counseling Agency's office, at an alternate location, by telephone, or by videoconferencing, as long as it is mutually acceptable to the housing counselor and the client.
- The Homebuyer Education Course must be taught by a HUD-certified Counselor working for a HUD-certified Housing Counseling Agency.
- The Homebuyer Education Course should cover the entire process of homeownership, which includes: the decision to purchase a home, the selection and purchase of a house, issues arising during or affecting the period of home ownership, and the sale or other disposition of the home.

Upon the successful completion of the course, the counseling agency will provide the Applicant with a **Certificate of Completion**. The Applicant is responsible for providing a copy of the Certificate of Completion prior to award determination.

No financial assistance under this Program will be committed or disbursed until the housing counseling requirement has been fulfilled.

6.4 Program Intake Process

During the intake process, the Applicant will be required to furnish the information listed below to the chosen participating institution or the authorized PRHFA representative:

- Homebuyer Education Course Certificate:
 - Applicants shall complete a housing counseling course focused on the responsibilities of homeownership. The course will be delivered by HUD-certified Housing Counselors and tailored to the specific needs of program participants.
- Applicant and/or Co-applicant Identification:

- The Applicant and/or Co-applicant must provide a valid copy of a government-issued photo ID (federal or state).
- Household Members Identification:
 - The Applicant shall provide a valid copy of a government-issued photo ID (federal or state) for all household members over the age of eighteen (18) and a birth certificate for all household members under the age of eighteen (18).
- Proof of Employment within the CRW (if applicable):
 - To qualify as a CRW household, evidence must demonstrate that the Applicant, Co-applicant, and/or household member(s) is/are employed by a CRW profession. The following are acceptable forms of evidence: paystubs, valid ID issued by the employer, letter issued by the team member's Human Resource Department, or similar documentation demonstrating active employment within the CRW profession.
- Income Documentation of Applicants and all household members aged eighteen (18) and older:
 - Applicant, Co-applicant, and household member(s) who are hourly/salary:
 - Three (3) most recent monthly bank statements;
 - Three (3) paystubs from the ninety (90) day period before the date of Application;
 - Puerto Rico or Federal Income Tax Return for the two most recent tax years.
 - Applicant, Co-applicant, and household member(s) who receive retirement and/or social security income:
 - Three (3) most recent monthly bank statements;
 - Current pension/retirement benefit letter;
 - Current annuity payment letter or 1099 form from the prior year to the date of application.
- Applicant, Co-applicant, and household member(s) who are self-employed:
 - Three (3) most recent monthly bank statements;
 - Most recent tax return (1040 or 1040A);
 - Profit and loss statement for the last twelve (12) months.
- Applicant, Co-applicant, and household member(s) who receive rental income from commercial properties:

- Copy of current lease agreements.
- Applicant, Co-applicant, and household members who receive unemployment benefits:
 - Current benefit letter with gross benefit amount.
- Applicant, Co-applicant, and household member(s) who receive court-ordered alimony or spousal maintenance:
 - Copy of court order documentation.
- Applicant, Co-applicant, and household member(s) who receive taxable interest and dividends:
 - Most recent statement or prior year (1099 form).
- Applicant, Co-applicant, and/or household members who do not receive any income:
 - Signed Zero Income Certification;
 - Copy of bank statement;
 - PRHFA may request additional documentation, such as: Negative Certificate of Employment from the Department of Labor, Evidence of enrollment in a university, college, or post-secondary school, or any other document to verify the individual is not receiving any form of income.
- Conflict of Interest Form¹⁵
- Any other document that PRHFA deems necessary.

Before applying for the Program, prospective Applicants should review the eligibility criteria outlined in the Guidelines and the Applicant Document Checklist published on <https://recuperacion.pr.gov/welcome/en/index.html> (English) and <https://recuperacion.pr.gov/welcome/> (Spanish).

6.5 Eligibility Review

Applicants deemed eligible will receive an Eligibility Notice via email informing them of the eligibility decision. Applicants can also receive the eligibility notice via postal mail if requested during the intake process. The correspondence will include a notice informing the Applicant of the eligibility determination and a description of the required next steps. The eligibility determination will be valid for **ninety (90) days**.

¹⁵ Applicants are encouraged to submit this form early in the application process. Once an eligible determination has been issued, their participating institution must submit it through the HBA-MIT Platform.

If the Applicant is found ineligible at any stage of the process, they will be notified through an Adverse Eligibility Notice. The notice will outline the eligibility determination, the following steps, and instructions for submitting a Program-based Reconsideration Request and/or an Administrative Review Request directly to PRDOH. The notification will inform the Applicant of the reason(s) for ineligibility and outline the process to challenge the decision. Applicants who wish to contest a Program determination may file a Program-based Reconsideration Request by submitting a written request directly to the Program within twenty (20) calendar days from the date the notice was sent to the Applicant. See the Program-based Reconsideration and/or Administrative Review section of these Guidelines.

6.6 Non-responsive Applicant

Following an eligibility determination, the Applicant has **ninety (90) calendar days** to **start the process of securing a mortgage**. If the Applicant fails to begin the mortgage financing process within that period, the Program will issue a Non-Responsive Notice through electronic or postal mail. The Non-Responsive Notice provides multiple communication methods for contacting the Program. It will also advise the Applicant of the next steps in the application process. If the application remains inactive during the **fourteen (14) calendar days** after the date of the Non-Responsive Notice, the Applicant will receive a Non-Responsive Confirmation Notice, and the application will be withdrawn from the Program.

Likewise, if the application remains inactive in the HBA-MIT Platform for **forty-five (45) calendar days** or more since its last update, the Program will issue a Non-Responsive Notice via electronic or postal mail. The Non-Responsive Notice provides multiple communication methods for contacting the Program. It will notify the Applicant that they must continue with the Program application process within **fourteen (14) calendar days** of the date of the notice, or their application will be withdrawn. If the application remains inactive **for fourteen (14) calendar days** after the date of the Non-Responsive Notice, the Applicant will receive a Non-Responsive Confirmation Notice and will be withdrawn from the Program.

Withdrawal from the Program does not prevent the Applicant from re-applying once the Applicant is ready to begin or continue the mortgage financing process. This is allowed if the Program's application process is still open when the Applicant reapplies.

7 Voluntary Withdrawal

An Applicant may request to withdraw their Program application at any time. The Applicant may file a withdrawal directly with the HBA-MIT Program or an authorized representative of PRHFA by submitting a written request. The Program will require the Applicant to complete and sign a Voluntary Withdrawal Request Form to begin the withdrawal process. The form must include an acknowledgment statement certifying the Applicant's desire to withdraw their application. The Case Manager will upload the document to the HBA-MIT Platform. The acknowledgment statement can be sent by email to HBA-info@afv.pr.gov or by mail to P.O. Box 71361, San Juan, PR 00936-8461.

Once the Program has reviewed the withdrawal request, it will acknowledge its receipt by issuing a Voluntary Withdrawal Confirmation Notice. At this stage, the Applicant's status in the HBA-MIT Platform will be updated to "Withdrawn." The Applicant's voluntary withdrawal from the Program does not prevent the Applicant from reapplying once the Applicant is ready to begin or continue the mortgage financing process, provided the Program's application process is still open when the Applicant applies.

8 Lending Process

8.1 Participating Institutions

Upon issuance of an Eligibility Notice, the Applicant may proceed with securing a mortgage loan from a participating institution. In collaboration with PRDOH, PRHFA will publish and regularly update the list of participating institutions on the CDBG-MIT Program and PRHFA's websites.

Participating Institutions must participate in the PRHFA training and guidance related to the updated guidelines and procedures for determining the HBA-MIT participants' financial award to ensure that Program funds are distributed equitably.

The lending institution will guide the Applicant through the mortgage selection process and loan underwriting to provide the Applicant with the most favorable loan conditions. Mortgage Loan Officers shall comply with the underwriting requirements of the loan type and all applicable federal and local mortgage lending regulations from origination through closing.

The Applicant may only pursue long-term mortgages limited to the following loan types:

- Federal Housing Administration (**FHA**)/ U.S. Department of Agriculture (**USDA**)/ U.S. Department of Veterans Affairs (**VA**) Guaranteed Loans (Ginnie Mae)
- Fannie Mae/Freddie Mac conventional conforming loans
- Conventional non-conforming loans

Applicants seeking assistance from the Program must meet the requirements of the above-mentioned Mortgage loan products.

The following risky loan features are not allowable under the HBA-MIT Program: loans with non-occupant co-borrowers, adjustable-rate mortgages (**ARMs**), loans with balloon payments, loans with pre-payment penalties, loans with negative amortization, or interest-only.

PRHFA reserves the right to deny assistance if it finds that the transaction's structure infringes upon the HBA-MIT Program's overall purpose or serves to unfairly enrich an individual or institution.

For more information, visit <https://recuperacion.pr.gov/welcome/en/index.html> (English) and <https://recuperacion.pr.gov/welcome/> (Spanish).

8.2 Participating Institution Criteria

Lending Institutions and NGOs are critical to the Program's success. To qualify as a participating institution, the lending institutions must meet the following criteria:

- Be duly authorized to carry out mortgage business in Puerto Rico.
- Execute and comply with a Memorandum of Understanding (**MOU**) in which the institution agrees to comply with the Program Guidelines and all applicable federal, state, and local laws and regulations.
- Maintain an established point of contact for the HBA-MIT Program and ensure that mortgage officers are trained to use the HBA-MIT Platform and understand the underwriting requirements outlined in these Program Guidelines.

For more information on how to become a participating institution, please send an email to hba-lenderassistance@afv.pr.gov.

8.3 Anti-predatory Lending

PRHFA does not condone unscrupulous actions by a participating institution to entice, induce, and/or assist a borrower in taking a mortgage with a high interest rate and fees or place the borrower in a lower credit-rated loan to the benefit of the

participating institution. Participating institutions must agree to abide by PRHFA's anti-predatory lending policies outlined in the MOU.

9 Underwriting Review

PRHFA or its authorized representative will perform the underwriting review after the Lending Institution has completed its preliminary loan underwriting, prior to committing funds to an Applicant. Such underwriting reviews shall be done in accordance with these Guidelines and Program Documents. Failure to comply with these Guidelines and Program Documents shall result in the case being returned to the Participating Institution for corrections.

Upon determining that the loan meets the Program's requirements, PRHFA will perform an underwriting review based on the underwriting parameters outlined in these Guidelines.

9.1 Appraisal

To ensure the purchase price is reasonable, the PRHFA underwriting review will rely on a full appraisal commissioned by the lending institution. The purchase price must not exceed the current FHA mortgage limits and the value stated in the appraisal.¹⁶

The appraisal must meet the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (**URA**), as amended, 42 U.S.C. § 4601 *et seq.*, the definition of an appraisal (see 49 C.F.R. § 24.2(a) (3)), and the five following requirements (49 C.F.R. § 24.103(a) (2)):

- An adequate description of the physical characteristics of the property being appraised (and, in the case of a partial acquisition, an adequate description of the remaining property), including items identified as personal property, a statement of the known and observed encumbrances, if any, title information, location, zoning, present use, an analysis of highest and best use, and at least a **five (5) year** sales history of the property;
- All relevant and reliable approaches to value. If the appraiser uses more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser's opinion of value;

¹⁶ See: <https://entp.hud.gov/idapp/html/hicostlook.cfm>. After reaching the page, please select Puerto Rico on the State dropdown and press send.

- A description of comparable sales, including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction;
- A statement of the value of the real property to be acquired and, for a partial acquisition, a statement of the value of the damages and benefits, if any, to the remaining real property, where appropriate; and
- The effective date of valuation, date of appraisal, signature, and certification of the appraiser.

The loan should not exceed the purchase price, the current FHA mortgage limits, and/or the value stated in the appraisal. For example, if the appraised “as is” value is \$100,000, the selling price cannot exceed \$100,000. Fees and costs must be aligned with prevailing market prices.

For appraisals of rehabilitated properties, see the Rehabilitated Properties Section of these Guidelines.

For appraisals of submitted applications to Environmental Review, see the Environmental Review Section of these Guidelines.

9.2 Down Payment Assistance

The Program will cover up to **one hundred percent (100%)** of the down payment required by the selected mortgage loan product for the purchase of the property as follows:

- Conforming Loans: Minimum of 20% of the sales price as a down payment up to a maximum total award of \$45,000 or, if CRW \$55,000. For example, a \$100,000 loan would require a \$20,000 down payment.
- Non-Conforming Loans: Minimum of 15% of the sales price as a down payment up to a maximum total award of \$45,000 or if CRW \$55,000. For example, a \$100,000 loan would require a \$15,000 down payment.
- FHA loans: Minimum of 3.5% of the sales price as a down payment up to a maximum total award of \$45,000 or if CRW \$55,000. For example, a \$100,000 loan would require a \$3,500 down payment.
- Rural Loans: No down payment is required. For example, a \$100,000 loan would require \$0.00 down payment.
- VA Loans: No down payment is required. For example, a \$100,000 loan would require \$0.00 down payment.

- Act 87 AFV: Minimum of 2% of the sales price as a down payment up to a maximum total award of \$45,000 or if CRW \$55,000. For example, a \$100,000 loan would require a \$2,000 down payment.

9.3 Mortgage Subsidy Assistance

The Program will provide direct financial assistance to subsidize the interest rate and mortgage principal amount for LMI and UN homebuyers.

This grant lowers interest rates and monthly payments, making homeownership more affordable and reducing the risk of foreclosure. In the case of conventional loans, the requirement for mortgage insurance is eliminated. Further, this grant lessens cost barriers for LMI and UN homebuyers by lowering closing costs.

Subject to the limits established herein, the Program shall provide the eligible Applicants with the necessary funding level and cost reasonableness to facilitate homeownership. Therefore, the PRHFA will assess the Applicants' ability to pay the monthly mortgage carrying costs and the long-term financial viability of the purchase.

For Applicants whose front-end ratio exceeds twenty percent (20%) or whose back-end ratio exceeds thirty-six percent (36%) after the Down Payment Assistance is applied, PRHFA will calculate the grant amount necessary to lower the Applicants' front-end ratio as close to twenty percent (20%) or the Applicants back-end ratio as close to thirty-six percent (36%); whichever is most beneficial for sustaining homeownership, up to a maximum total award of \$45,000 or if CRW \$55,000.

For example, suppose an Applicant has a 20% front-end ratio and a 45% back-end ratio. In that case, PRHFA will calculate the assistance necessary to lower the 45% back-end ratio as close as possible to 36%, but not lower. In this example, if the loan is an FHA loan, the Program will cover the 3.5% minimum down payment required, the Closing Costs, and the necessary assistance to lower the back-end ratio as close as possible to 36%, but not under, up to a maximum total award of \$45,000 or, if CRW \$55,000. Similarly, if the Applicant's front-end ratio exceeds 20%, reducing the front-end ratio instead of the back-end ratio is deemed more beneficial for the Applicant. In that case, the same approach will be applied. This approach will also be applied if another loan product is chosen.

Applicants must not incur additional debts that increase their urgent need to receive additional financial assistance from the Program during the application process. All eligible Applicants are required to secure a loan from a Participating Institution without the need for a non-occupant co-borrower. As such, all Applicants should qualify for the Program and hold the title of the purchased property.

9.4 Closing Costs

The Program will cover reasonable and customary closing costs for eligible homebuyers, including, but not limited to, the credit report, home appraisal, loan origination fee, title, escrow, recording, notary fees, title transfer charges, title insurance, title studies, or other similar costs.

The Consumer Financial Protection Bureau (**CFPB**) regulates closing costs. The Closing Disclosure outlines the charges and fees Applicants must pay as part of the closing process. These costs either have no tolerance for change or a ten percent (10%) tolerance for change.

As these costs are tightly regulated, the PRHFA underwriting review will consider closing costs reasonable, provided they adhere to the Qualified Mortgage rule and applicable mortgage regulatory guidance.

For example, when an Applicant cannot lower their front and back ratios regardless of the mortgage loan product, the Program will always cover reasonable and customary closing costs.

10 Duplication of Benefits (DOB)

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (**Stafford Act**), as amended, 42 U.S.C. § 5121 *et seq.*, prohibits any person, business concern, or other entity from receiving Federal funds for any part of such loss for which they have received financial assistance under any other program, from private insurance, charitable assistance, or any other source. As such, PRDOH must consider disaster recovery aid received by Program applicants from any other federal, state, local or other source, and determine if any assistance is duplicative. Any assistance determined to be duplicative must be deducted from the Program's calculation of the applicant's total need before awarding assistance.

To be eligible to receive CDBG-MIT funds under the Program and as part of the application process, all applicants must confirm and provide assurance that efforts

will be made to avoid a “duplication of benefits.” PRDOH understands and expects that some projects funded through this Program may also be able to receive other types of Federal funding; therefore, a DOB analysis will be performed for each funded project.

Program controls to prevent duplication of benefits include, but are not limited to:

- Certification that applicants will notify PRDOH of all potential DOBs as part of the information submitted in their applications;
- Verification of specific DOBs through various available sources such as FEMA, the Small Business Administration (**SBA**), insurers, and any other sources of funding;
- Requiring the applicant to authorize PRDOH to contact all potentially duplicative funding sources on their behalf to verify all funding sources received and/or approved; and
- Calculation of duplication of benefits per Federal Register Vol. 84, No. 119 (June 20, 2019), 84 FR 28836.

The duplication of benefits guidance included in 84 FR 28836 updates the duplication of benefits guidance issued in Federal Register Vol. 76, No. 221 (November 16, 2011), 76 FR 71060 for CDBG-DR grants received in response to disasters declared between January 1, 2015, and December 31, 2021. As such, the DOB policy outlined in the Program Guidelines follows the guidance issued in 84 FR 28836.¹⁷

For more information about DOB, refer to the Duplication of Benefits Policy available at <https://recuperacion.pr.gov/en/download/duplication-of-benefits-policy/> (English) and <https://recuperacion.pr.gov/download/politica-sobre-la-duplicacion-de-beneficios/> (Spanish).

11 Property Eligibility Review

HBA-MIT applications submitted by eligible applicants will be evaluated based on the site-specific risks being addressed and the structural and nonstructural measures taken to mitigate such risks based on the Risk Assessment Tool publicly available in

¹⁷ The 2019 DOB notice updates the treatment of declined loans. A grantee shall not take into consideration or reduce the amount of assistance provided to an applicant, where such applicant applied for and was approved, but declined assistance from the Small Business Administration (SBA), related to disasters that occurred from 2014 to 2017. The 2019 DOB notice also includes requirements applicable only to CDBG-MIT funds. FEMA, as per recent amendments to the Disaster Recovery Reform Act of 2018 (DRRA), Pub. L. 115-254, advises that a loan is not a duplication of other forms of financial assistance, provided that all federal assistance is used toward a loss suffered due to major disaster or emergency. The DRRA provisions, which applied to disasters that occurred from 2016 to 2021, expired on October 5, 2023. Therefore, the determining factor for applying the DRRA amendment is the date the agreement for loan assistance is awarded (signed by all the required parties, made and entered, and final). Subsidized loans awarded after the amendment sunset date are to be included in the DOB evaluation.

English and Spanish at
<https://recuperacion.pr.gov/iframes/PRhazardandriskslFRM.html> and
<https://recuperacion.pr.gov/iframes/PRpeligrosyriesgoslFRM.html>, or other available
data sources, such as site assessments.

Only single-family concrete-made residential structures located in Puerto Rico will be eligible for the Program. Properties with wood, acrylic, or metal structures within the living area of the structure, will not be eligible for the Program. For this Program's purpose, single-family homes may include a dwelling within a one-to-two-unit structure. Single-family units may include, but are not limited to:

- Duplexes;
- Manufactured Housing Units (**MHU**);
- Detached, stand-alone, concrete residential structures;
- Attached single-family;
- Condominium Unit and;
- Cooperative Unit.

11.1 Property Requirements

As part of the property review process, the Participating institutions must compile and upload all required documentation to identify the property site prior to submitting the application through the HBA-MIT Platform. The Program will ensure that the information and documentation are valid and current during the property eligibility review. This documentation may include, as applicable, but is not limited to, the following:

- Complete Property Address
- Assessor's Parcel Number (*Catastro*)
- Coordinates
- Property Description
- Uniform Residential Appraisal Report (valid for up to six months)
- Inspection report with the property's current conditions
- Flood insurance quote
- Prospective Buyers of Properties Located in an SFHA Notice signed Certification
- Special Flood Hazard Determination Form (SFHDF),
- Letter of Map Amendment (LOMA) and/or Letter of Map Change (LOMC)
- Environmental Airport Notice signed Certification

The Program will review the submitted documentation regarding the property to be purchased to ensure that all information and documentation registered in the system are accurate, complete, and adequately supported. The Program reserves the right to request additional information or documentation as necessary.

Failure to provide accurate and complete information and/or documentation may result in the application being returned to the Participating Institution for corrections.

Participating Institutions and Program representatives are responsible for fulfilling their due diligence and ensuring the accuracy and quality of documentation, and for submitting documentation to avoid unnecessary delays in Program deliverables.

The following property requirements must be adhered to for an Applicant to be determined eligible to receive CDBG-MIT funding for purchasing a property:

- The property must be acquired through a valid deed, free and clear of any lien and encumbrance that may affect PRDOH's rights over the property under the Deed of Mortgage and Restrictive Conditions;
- The property must be classified as vacant or ready to be sold by the owner at contract signing;
- Tenants must not occupy the property at the moment of the Deed of Sale and the signing of the Second Direct Mortgage and Imposition of Restrictive Conditions, unless they are acquiring the property where they currently reside.
- Properties must meet minimum property standards required by the Applicant's primary loan issuer (e.g., U.S. Department of Agriculture, Rural Development (USDA-RD), Fannie Mae, etc.) and applicable local codes;
- Properties (New Construction) must have an Occupancy Certification ("Permiso de Uso");
- Property must have no substantial adverse environmental factors as determined by an environmental review;
- Property must be classified correctly in/for Property Taxes (CRIM, by its Spanish acronym).
- Property must be free and clear of any lien and encumbrance that may affect PRDOH's ability to review the property location.
- Property must not be located in a designated Coastal Barrier Resource Area, a Coastal High Hazard Area (V zones)¹¹, and the Regulatory Floodway.

- Properties designated in a runway clear zone or clear zone, as defined in 24 C.F.R. § 51.303(a), will require a signed acknowledgment receipt from the buyer.
- Properties located in a Special Flood Hazard Area (SFHA) designated by FEMA (zones A, AO, A1–A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1–A30) will require the buyer to purchase and maintain a flood insurance policy and sign an acknowledgment document with the understanding of such condition.

11.2 Rehabilitated Properties

For this Program, PRHFA will allow Applicants to purchase homes that require minor and nonstructural repairs, provided the following criteria are fulfilled:

- Program funds will not be used for repairs;
- Repairs and improvements are covered under the Applicant's mortgage;
- The Program will only accept loan products that include minor and nonstructural repairs for properties¹⁸;
 - The accepted loan products include, but are not limited to, the following:
 - Fannie Mae HomeStyle
 - FHA 203(k)
 - FHA 203(b) with Repairs Escrow (only for HUD REO Properties)
 - USDA Rural Development Repair Loan
 - VA Rehab Loan
 - Act 87 with repairs ("Boricua FHA");
 - Any other loan product that PRHFA determines qualifies
- Repairs are strictly limited to minor and nonstructural work, which must be classified as nonstructural maintenance activities according to HUD CPD-16-02 or any other applicable program guideline;
- The inspection report with the current conditions of the property is received to complete the environmental review (**CENST**)¹⁹;
- The Program will only accept for HUD REO properties the portion of the loan allocated for repairs to be deposited in an escrow account or otherwise retained by the lender;

¹⁸ Refers to minor and nonstructural maintenance activities as per HUD CPD-1602 notice or any other program guideline. It is necessary to receive the inspection report detailing the property's current condition to complete the environmental review.

¹⁹ See PRHFA's Environmental Review Worksheet.

- The improvements are not classified as construction, structural alterations, cosmetic, or reconstructive;
- The Program does not allow a projected appraisal. Repairs are limited to those identified by the appraiser in the property's Appraisal Report;
- The total rehabilitation cost must not exceed the **seventy-five thousand dollars (\$75,000)** cap;
- The repairs must be performed within the time period the period established by the loan products. Failure to comply with the established timeline may result in PRHFA recapturing the Grant. In case of extraordinary circumstances, the participating institution may submit a written request for a time extension to PRHFA for evaluation. PRHFA maintains discretion in approving such requests and taking necessary actions to ensure compliance with these Guidelines; and
- A repair holdback for the HUD REO Property Purchase will be accepted only if the amount of the repair is financed as part of the loan. After the repairs are completed, the participating institution, in compliance with HUD regulations, shall apply the unused contingency funds or other monies deposited in a Repair Escrow Account to prepay the mortgage loan principal amount. The Program will not accept the unused contingency funds or other monies deposited in a Repair Escrow Account to be paid directly to the Applicant or to pay real estate taxes, insurance premiums, delinquent notes, ground rents, or assessments.

PRHFA's underwriting and award determination for a loan (rehabilitation) must be based on the lesser of the as-is property value amount or the sales price of the subject property.

Upon completion of all repairs, the Lending Institution must provide PRHFA with an inspection report performed by the same Appraiser who completed the property's initial appraisal. All repair work must meet local codes, rehabilitation standards, and inspections when required by the loan product.

11.3 Property Standards Requirement

Properties must be safe, decent, and sanitary. The Lending Institution must ensure that the property is inspected and/or appraised following the requirements of the primary loan issuer (i.e., Fannie May, USDA-RD, FHA, and Veteran Affairs (**VA**)).

11.4 Redevelopment Incentive Determination

The Program will provide an additional amount of **five thousand dollars (\$5,000.00)** in assistance to eligible households who elect to purchase a home located in a designated urban center and/or redevelopment zone certified by the PRDOH. To certify whether the property is located in a designated urban center, Applicants must submit a Redevelopment Incentive Certification Form to PRDOH through their participating institution. The Participating Institution will submit all the required documentation regarding the property to be purchased for verification by PRDOH or its authorized representative through the HBA-MIT Platform. PRDOH, as the Grantee, is responsible for certifying all Redevelopment Incentives.

Applicants whose properties are certified as located in a designated urban center will receive a redevelopment incentive of five thousand dollars (\$5,000) to be used towards the purchase price.

The Program has defined the urban centers for each municipality in Puerto Rico. The maps will be published and available at <https://recuperacion.pr.gov/en/urban-center-maps/> (English) and <https://recuperacion.pr.gov/mapas-de-los-centros-urbanos/> (Spanish).

12 Environmental Review

An environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it meets federal, state, and local applicable regulations. Every project undertaken with federal funds, and all activities associated with such project, are subject to the provisions of the National Environmental Policy Act of 1969 (**NEPA**), 42 U.S.C. § 4321 *et seq.*, as well as to the HUD environmental review regulations at 24 C.F.R. Part 58. Therefore, an environmental review process is required to issue all awards under the Program. It aims to ensure the proposed activities do not negatively impact the surrounding environment, and the property itself will not have an adverse environmental or health effect on end users.

Specifically, 24 C.F.R. § 58.22 prohibits the commitment or spending of federal or non-federal funds on any activity that could have an adverse environmental impact or limit the choice of reasonable alternatives prior to completion of an environmental review. Environmental clearance must be obtained for each project prior to the commitment of federal or non-federal funds. A violation of this requirement may jeopardize federal

funding for the Program and disallow all costs incurred before the environmental review completion.

Laws and regulations that contain environmental provisions with which the Program must comply include, but are not limited to:

- National Environmental Policy Act (**NEPA**), 42 U.S.C. § 4321
- Protection of Historic Properties (Section 106 of the National Historic Preservation Act (**NHPA**)) (36 C.F.R. Part 800)
- Floodplain Management and Protection of Wetlands (24 C.F.R. Part 55, Executive Order No. 11988 and Executive Order No. 11990)
- Sections 307 (c) and (d) of the Coastal Zone Management Act of 1972 (**CZMA**) (16 U.S.C. § 1456), as amended
- Sole Source Aquifers (**SSAs**) (40 C.F.R. Part 149)
- Section 7 of the Endangered Species Act of 1973 (16 U.S.C. §1536), as amended, and implementing regulations at 50 C.F.R. Part 402
- Section 7 (b)(c) of the Wild and Scenic Rivers Act of 1968 (**WSRA**) (16 U.S.C. § 1278 - Restrictions on Water Resources Projects), as amended
- Air quality provisions as found in Sections 176 (c) and (d) of the Clean Air Act (42 U.S.C. § 7506), as amended, and Title 40 of the Code of Federal Regulations (40 C.F.R. Parts 6, 51, and 93)
- Sections 1540 (b) and 1541 of the Farmland Protection Policy Act (**FPPA**) (7 U.S.C. §§ 4201-4202) under the Agriculture and Food Act of 1981, as amended, and implementing regulations at 7 C.F.R. Part 658
- Noise Abatement and Control (**NAC**) (24 C.F.R. §§ 51.100 - 51.106)
- Siting of HUD-Assisted Projects Near Hazardous Operations Handling Conventional Fuels or Chemicals of an Explosive or Flammable Nature (24 C.F.R. §§ 51.200 - 51.208)
- Airport Clear Zones (**CZ**) and Accident Potential Zones (**APZ**) (24 C.F.R. Part 51, Subpart D)
- HUD Environmental Standards (24 C.F.R. Part 58)
- Contamination and Hazardous Substances (24 C.F.R. § 58.5(i)(2)(i))

All Program awards must have documentation that complies with NEPA and other environmental requirements. Therefore, all projects shall have an Environmental Review Record (**ERR**), as required by NEPA and related laws. The ERR for the projects shall set forth: the existence of negative impacts on a site; the means to mitigate adverse effects; alternatives to the project (if needed); and the rejection of the

proposed activities if all other options fail and it becomes the most prudent action to take.

PRDOH and its authorized representatives will conduct environmental reviews as part of the property eligibility reviews.

12.1 Environmental Level of Review

To conduct the appropriate level of environmental review, the Program will determine the environmental classification of the project. The term “project” may be defined as an activity or group of activities geographically, functionally, or integrally related, regardless of funding source, to be undertaken by the Program in whole or in part to accomplish a specific objective. There are four (4) major classifications of environmental review for projects:

- **Exempt Activities:** Those activities that are highly unlikely to have any direct impact on the environment.
- **Categorically Excluded Activities:** Those activities that may have an impact on the environment, but not to the extent that an Environmental Assessment under NEPA or Environmental Impact Statement is required. There are two types of Categorically Excluded Activities, as follows:
 - **Categorically Excluded Not Subject to 24 C.F.R. § 58.5:** Includes those activities included under 24 C.F.R. § 58.35 (b) and requires environmental checks for the items listed at 24 C.F.R. § 58.6. For activities under this classification, no public notice or request for release of funds is required to use grant funds.
 - **Categorically Excluded Subject to 24 C.F.R. § 58.5:** Refers to those activities included under 24 C.F.R. § 58.35 (a) and require environmental checks for the items listed at 24 C.F.R. § 58.5 and 24 C.F.R. § 58.6. If any environmental items are identified as potentially impacting (such as floodplains), a Request for Release of Funds (including publication of Notice of Intent) is required.
- **Environmental Assessment:** Includes activities that could potentially have a significant impact on the environment. In addition to compliance with the laws and authorities at 24 C.F.R. § 58.5 and 24 C.F.R. § 58.6, environmental assessments must consider an array of additional potential impacts of the

project, including a NEPA analysis. This environmental assessment requires publishing a Notice of Intent to Request Release of Funds and a Finding of No Significant Impact (assuming such is found).

- **Environmental Impact Statement:** Activities that require a detailed written statement required by Section 102(2)(C) of NEPA for a proposed major Federal Action significantly affecting the quality of the human environment. These statements are normally used for major housing (2,500 units or more) or infrastructure projects.

12.2 Level of Determined Environmental Review

The level of environmental review identified for this Program is found at 24 C.F.R. § 58.35 (b)(5). Activities to assist homebuyers to purchase existing or new dwelling units, including closing costs and down payment assistance, interest buydowns, and similar activities that result in the transfer of a title and will require a Categorically Excluded (Not Subject to 58.5) (**CENST**) Environmental Review. The environmental review for any activity in this Program will require a formal determination (including preparing a CENST review and including it in the project files) of the environmental regulations at 24 C.F.R. § 58.6. Other Requirements to include are:

- Location within a Special Flood Hazard Area;
- Location within a Coastal Barrier Resource System unit; and
- Purchase or sale of an existing property in a Runway Protection Zone or Clear Zone.

PRDOH, as the Grantee, is responsible for certifying all CENSTs. Environmental reviews shall be completed before determining whether the CDBG-MIT award will be offered to an eligible Applicant. For the aforementioned, participating institutions are encouraged to submit the appraisal and the flood insurance quote early in the loan process to expedite the environmental review process.

12.2.1 Special Flood Hazard Area

A property located in an SFHA (100 -Year Floodplain (or 1% annual chance floodplain)) only in the following zones A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, may be eligible to receive CDBG-MIT assistance if the Applicant purchases a flood insurance policy and presents evidence at closing. For properties in an SFHA, PRDOH, as the Grantee, must inform eligible homebuyers of the implications of such a location through a Notification to Prospective Buyers of Properties Located in a Special

Flood Hazard Area. Also, must advise them of the requirement to purchase and maintain a flood insurance policy. The Notification includes a Certification of Purchase of Property Located in a Special Flood Hazard Area, where the Applicant certifies their understanding of the consequences of buying a property in an SFHA. The warning must be included as part of the deed's covenants.

The potential buyer must complete and sign the certification and return it to PRHFA within **ten (10) calendar days** from the date of the attached notice. The Certification can be sent by email to HBA-info@afv.pr.gov or by mail to P.O. Box 71361, San Juan, PR 00936-8461. Otherwise, the eligible homebuyer will not be suitable for grant assistance to purchase the property in an SFHA.

12.2.2 Coastal Barrier Resources Area

The Coastal Barrier Resources Act (**CBRA**), 16 U.S.C. § 3501 *et seq.*, protects coastal areas that serve as barriers against wind and tidal forces caused by coastal storms and as habitats for aquatic species. In compliance with the Act, if a property is located within a Coastal Barrier Resources Area, it will not qualify for CDBG-MIT assistance.

12.2.3 Runway Clear Zone²⁰ or Clear Zone

In case a property is located in a runway clear zone or clear zone, PRDOH, as the Grantee, must inform the eligible homebuyers of the implications of such location by a Notification to Prospective Buyers Properties Located in Runway Clear Zones and Clear Zones. It must also advise the homebuyers of the possibility that an airport operator may later decide to acquire the property. The Notification includes an acknowledgment statement certifying the Applicant's understanding of the consequences of purchasing a property in a runway clear zone or clear zone.

The potential buyer must complete and sign the certification and return it to PRHFA within **ten (10) calendar days** from the date of the attached notice. The Certification can be sent by email to HBA-info@afv.pr.gov or by mail to P.O. Box 71361, San Juan, PR 00936-8461. Otherwise, the eligible homebuyers will not be suitable for assistance, subsidy, or insurance to purchase the property in a Runway Clear Zone or Clear Zone.²¹

²⁰ Also known as Runway Protection Zone (**RPZ**).

²¹ 24 C.F.R. § 51.303(a)(3).

12.2.4 Regulatory Floodway

If the Property is located in a Regulatory Floodway, as defined in 24 C.F.R. § 55.2(b)(6), it will not qualify for CDBG-MIT assistance due to the elevated threat of flood risk.

12.3 Lead Hazard Assessment

All **pre-1978** built properties acquired through the HBA Program must comply with the lead reduction provisions found at 24 C.F.R. Part 35. PRHFA will validate the date of construction from the appraisal documents and assure the seller complied with the “Disclosure requirements for sellers and lessors” provisions found at 24 C.F.R. § 35.88(a), which states:

1. The seller shall provide the purchaser with a U.S. Environmental Protection Agency (**EPA**)-approved lead hazard information pamphlet. Such pamphlets include the EPA document entitled Protect Your Family from Lead in Your Home (EPA -747-K-94-001) or an equivalent pamphlet approved for use in that State by EPA.
2. The seller shall disclose to the purchaser the presence of any known lead-based paint and/or lead-based paint hazards in the target housing being sold. The seller shall also disclose any additional information available concerning the known lead-based paint and/or lead-based paint hazards, such as the basis for the determination that lead-based paint and/or lead-based paint hazards exist, the location of the lead-based paint and/or lead-based paint hazards, and the condition of the painted surfaces.
3. The seller shall disclose to each agent the presence of any known lead-based paint and/or lead-based paint hazards in the target housing being sold and the existence of any available records or reports pertaining to lead-based paint and/or lead-based paint hazards. The seller shall also disclose any additional information available concerning the known lead-based paint and/or lead-based paint hazards, such as the basis for the determination that lead-based paint and/or lead-based paint hazards exist, the location of the lead-based paint and/or lead-based paint hazards, and the condition of the painted surfaces.

4. The seller shall provide the purchaser with any records or reports available to the seller pertaining to lead-based paint and/or lead-based paint hazards in the target housing being sold. This requirement includes records and reports regarding common areas. This requirement also includes records and reports regarding other residential dwellings in multifamily target housing, provided that such information is part of an evaluation or reduction of lead-based paint and/or lead-based paint hazards in the target housing as a whole.

If any of the disclosure activities identified above occur after the purchaser has provided an offer to purchase the housing, the seller shall complete the required disclosure activities prior to accepting the purchaser's offer and allow the purchaser an opportunity to review the information and possibly amend the offer.²² Before a purchaser is obligated under any contract to purchase a target housing, the seller shall permit the purchaser a ten (10) day period (unless the parties mutually agree, in writing, upon a different period of time) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards.²³ Nevertheless, a purchaser may waive the opportunity to conduct the risk assessment or inspection by indicating in writing.²⁴

13 Award Determination Process

Upon finalizing the underwriting process and securing the first mortgage, the Participating Institution will submit all the required documentation for verification by PRHFA or its authorized representative through the HBA-MIT Platform. PRHFA will review the underwriting process and the submitted documentation to ensure all the information and documentation registered in the system is correct and complete. The information and documentation submitted for PRHFA review include, but are not limited to, the following:

- **Applicant Information:**
 - Valid State Issued Driver's License or ID Card or U.S. Passport (All household members 18 years or older);
 - Proof of Legal Status or Citizenship (All household

²² 24 C.F.R. § 35.88 (b).

²³ 24 C.F.R. § 35.90 (a).

²⁴ 24 C.F.R. § 35.90 (b).

members);

- Birth Certificate, Legal Documentation of Adoption or Guardianship (All household members 18 years or younger);
- Puerto Rico Income Tax Return Form and W2 Forms (Last two (2) years);
- Wages: Last three (3) recent paystubs (All household members 18 years or older);
- Copy of Verification of Employment (**VOE**);
- Award letters for benefits/Verification Letter SSI, Disability, Pension, Unemployment, etc.) (if applicable);
- Certification of Zero Income (if applicable) (All household members 18 years or older);
- Most recent year tax return (1040 or 1040A) with all schedules and YTD profit and loss statement (Self-employed only) (if applicable);
- Most recent three (3) months of bank statements for all checking accounts (All household members 18 years or older);
- Two (2) most recent bank statements for all savings, retirement accounts, 401Ks, etc. (All household members 18 years or older);
- Child Support Documentation (if applicable);
- Divorce Decree (if applicable);
- Signed Applicant Acknowledgment and Consent Form;
- Signed Conflict of Interest Form;
- Duplication of Benefits (DOB) self-certification.

- **Primary Residence Information:**

- Copy of most current Appraisal (valid for six months);
- Copy of most current Inspection report
- Lead Hazard Assessment (if applicable, structures built before 1978);
- Flood Insurance Quote (if applicable)
- Notification to Prospective Buyers of Properties Located in a Special Flood Hazard Area signed certification (if applicable)

- Notification to Prospective Buyers of Properties Located in Runway Clear Zones and Clear Zones signed certification (if applicable);
- FHA 203(b) with Repair Escrow Loan Acknowledgment Form (if applicable);
- Purchase and Sale Agreement that indicates the sale price of the property subject to the agreement;
- PRDOH certified Redevelopment Incentive Certification Form (if applicable)
- **Transaction Details:**
 - Form 1008 Uniform Underwriting and Transmittal Summary (signed by the underwriter), and
 - Copy of Preliminary Closing Disclosure signed by the underwriter or any authorized official.
- **Other Required Information:**
 - Valid Homebuyer Education Course Certificate of Completion
 - Any other document PRHFA may deem necessary.

Once PRHFA has completed the approval process, an Award Commitment Letter will be emailed to the Applicant, and a copy will be sent to the Applicant's Participating Institution. The final award will be determined by PRHFA's underwriting review criteria pursuant to the terms of the Underwriting Review section of these Guidelines.

PRHFA will reserve CDBG-MIT funds for **sixty (60) days** unless causes beyond their control and without fault or negligence of the participating institution or Applicant. For example, atmospheric events or others, circumstances occur and merit an extension of the **sixty (60) day** period. The reservation period begins the day PRHFA issues the Award Commitment Letter to the Applicant and the Applicant's chosen participating institution. Therefore, the participating institution must invoice the case to PRHFA and facilitate the closing within **sixty (60) days** of the notice of the Award Commitment Letter. PRHFA will not return cases to the underwriting review process that have a variance of **one percent (1%)** interest rate at closing. Nevertheless, should the conditions of the loan approval change for any other reason, the reservation of funds

will be released. In that case, PRHFA will conduct an underwriting review with the new conditions and, if necessary, issue an amended Award Commitment Letter.

14 Funds Disbursement Process

Prior to the scheduled closing date, the Participating Institution will submit a signed invoice with the list of loans to be closed and the preliminary Closing Disclosures (**CDs**) signed by the lender's underwriter or authorized official. The CDs must be received by the specified date and time established in the closing schedule circulated by PRHFA. PRHFA aims to disburse funds for approved invoices within **five (5) to seven (7) business days**.

Participating Institutions must ensure all invoices contain the following at a minimum to be processed:

- Invoice number beginning with the Program name "HBA-MIT" and date of payment;
- All beneficiaries and the amount of Grant payments;
- Total funding to be disbursed for all beneficiaries in the payment run;
- Valid routing number and bank account number;
- Planned closing date;
- Executive Order Certificate OE 2001-73 (under penalty of nullity); and
- Signature of the authorized official of the Lending Institution submitting the invoice.

14.1 Closing Process

The closing date is the moment when ownership of the property is transferred to the Borrower through the Deed of Sale and the signing of the Second Direct Mortgage and Imposition of Restrictive Conditions. Upon receipt of the funds by PRHFA, the Lending Institution has **ten (10) business days** to close the case. If additional time is needed, a written time extension request may be submitted to PRHFA. PRHFA will evaluate time extension requests for cases with extenuating circumstances, such as: the seller or borrower not being available for the scheduled closing, the closing funds not being transferred in time for the scheduled closing, unforeseen legal issues, and other related issues. Additionally, if the Lending Institution cannot enter or input the case into the HBA-MIT Platform due to technical difficulties or other extenuating circumstances, the Lending Institution may submit a time extension request to PRHFA.

If the case is not closed within the established period, the Lending Institution must return the funds to PRHFA for those cases. PRHFA reserves the right to take any necessary measures to close the cases promptly and approve or deny any requests for time extensions.

The Lending Institution will have **two (2) business days** after the closing to record the closing date on the HBA-MIT Platform and submit the final Closing Disclosure signed by the Applicant, now Borrower. If any invoiced case did not close, then the Lending Institution must inform PRHFA in writing so that it can return the funds to the HBA Program. PRHFA may take the following measures to reimburse HBA-MIT Program funds:

- Adjust the Lending Institution's next CDBG-MIT Invoice Package for the loans that did not close; or
- Submit a stop payment request with supporting documents to the PRHFA Finance Division.

If the Lending Institution cannot submit the case through the HBA-MIT Platform due to technical difficulties or other extenuating circumstances, the Participating Institution may submit a written time extension request to PRHFA.

14.2 Post-Closing Process

The affordability period commences on the Closing Date, which shall be promptly registered in the HBA-MIT Platform.

The Lending Institution has **forty-five (45) business days** from the Closing Date to submit the required closing documents to PRHFA. In case of a loan product with repairs, the Lending Institution must submit the closing documents from the period established by the loan product. The following closing documents must be submitted via the HBA-MIT Platform within the stipulated time period:

- Final Uniform Residential Loan Application (**URLA**) signed by the Applicant and Co-applicant (if applicable);
- Signed Closing Disclosure by the Borrower;
- Certified copy of the Second Direct Mortgage Deed and Imposition of Restrictive Conditions;
- Copy of the minute of presentation of the Second Direct Mortgage Deed and Imposition of Restrictive Conditions or the printed page of the official page

of the Puerto Rico Property Registry (“Registro de la Propiedad”) where the deed appears as duly presented;

- Copy of the Deed of Sale;
- Copy of the minute of presentation of the Deed of Sale or the printed page of the official page of Puerto Rico Property Registry where the deed appears as duly presented;
- Final 1008 Uniform Underwriting and Transmittal Summary form;
- Copy of the Appraiser’s final improvement inspection report, if applicable;
- Copy of the Flood Insurance Policy, if applicable; and
- Any other pertinent documents requested by PRHFA.

The PRHFA will verify that all the information provided in the documents aligns with the proposed transaction as registered on the HBA-MIT Platform. The Lending Institution may submit a written time extension request to PRHFA if additional time is needed. Just cause must be provided for the time extension request, and PRHFA will evaluate it on a case-by-case.

15 Monitoring and Close-Out

15.1 Grant Terms and Conditions

15.1.1 Second Direct Mortgage and Restrictive Condition

The CDBG-MIT funds assistance will be secured with a Second Direct Mortgage Deed on the property for the grant amount through a Restrictive Condition for a **five (5) year** affordability period. The restrictive conditions on the property shall terminate upon one of the following occurrences:

- Upon expiration of the **five (5) year** affordability period;
- Foreclosure of the property or bankruptcy court determination resulting in the discharge of Applicant’s obligations in relation to the award;
- Approval of a disposition loss mitigation alternative (i.e., short sale or transfer in lieu of foreclosure (deed in lieu));
- Assignment of an FHA-insured mortgage to HUD; or
- Borrower’s death.

If any of the above occurs, the Restrictive Conditions will be released in favor of the Borrower. In case of the borrower’s death, the heir(s) and/or beneficiary(ies) are released from the Restrictive Conditions.

The Borrower will be responsible for maintaining appropriate insurance on their properties. Failure to maintain proper insurance coverage may prohibit future assistance.

When an FHA-insured lien is involved, FHA requires a termination of restrictions clause to be contained in the legal instruments (note/deed). Provided is sample language that can be inserted in the program's Deed of Mortgage:

"The CDBG-MIT Program restrictions on the property shall terminate upon foreclosure, transfer in lieu of foreclosure, assignment of an FHA-insured mortgage to HUD, or the Borrower's death. To the extent that there are any proceeds from the foreclosure or other sale of the property by HUD remaining after the HUD-insured loan is paid, the remaining proceeds shall be paid to Puerto Rico Housing Finance Authority".

As part of the terms and conditions for receiving CDBG-MIT funds, the Borrower must agree to occupy the residence as the principal place of residence throughout the affordability period.

15.2 Affordability Period and Recapture

The affordability period refers to the required years the property must be the Borrower's primary residence. A Borrower must occupy the property as their primary residence for **five (5) years**. If the Borrower violates the terms and conditions of the Restrictive Conditions, PRHFA has the right to recapture the entire amount or a portion of the grant. The grant balance is forgiven or reduced at **twenty percent (20%)** for each completed year of residency, with no credit given for partial years.

Table 1: Forgiveness Rate per Affordability Period

Affordability Period	Forgiveness Rate per Year
5 Years (with a lien)	< 1 Year – 0%
	Year 1 – 20%
	Year 2 – 40%
	Year 3 – 60%
	Year 4 – 80%
	Year 5 – 100%

The Program's recapture is proportional to the annual forgiveness rate during the affordability period. The recapture mechanism is triggered in cases of noncompliance, among others: 1) when the Borrower no longer occupies the property as their principal residence (i.e., the property is rented or vacant), or 2) if the Borrower sells, donates, exchanges, or otherwise transfers the property, in whole or in part, whether temporarily or permanently, during the affordability period. Approval of a non-disposition loss mitigation alternative of the first mortgage, including but not limited to partial claim and a loan modification or refinance of the first mortgage during the Affordability Period, is allowable as long as the affordability period restrictions are not removed. The term for modified or refinanced mortgages shall be no less than thirty (30) years.

To avoid triggering the recapture mechanism, the Borrower must comply with the following conditions:

- The Borrower must purchase the home and occupy the property as their principal residence for the entire affordability period of five (5) years and not use the property for any other purpose, such as an investment or rental property.
- Avoid the sale, conveyance, or other property transfer, **excluding any** of the following (each, a "Permitted Transfer" that does not trigger the recapture process):
 - To a spouse upon dissolution of marriage (in this case the spouse that retains the property must comply with the restrictive conditions);
 - To the surviving spouse upon the death of a joint tenant owner (in this case, the surviving spouse of a joint tenant owner must comply with the restrictive conditions);
 - Upon the Borrower's death, with or without a will (the heirs and/or beneficiaries are released from complying with the restrictive conditions);
 - Bankruptcy;
 - Upon foreclosure or deed in lieu of, foreclosure. The above, provided that there are no Net Proceeds from the foreclosure or deed in lieu of foreclosure or that the Program has received all or a portion of the funds from the Net Proceeds from the foreclosure or deed in lieu of foreclosure, then the Program shall receive a portion of the funds from the Net Proceeds; or

- Distant employment transfer or relocation greater than fifty (50) miles one way from the Borrower's current Principal Residence to be closer to employment.

During the affordability period, the Borrower may not sell, rent, donate, exchange, or otherwise dispose of the property acquired with the assistance of the HBA-MIT Program. However, the Borrower shall not be considered in default when, upon prior express determination by the PRHFA, the forgiveness and/or release of the lien placed on the acquired property is authorized. The PRHFA may consider on the property acquired with assistance from the HBA-MIT Program only in **exceptional circumstances**. Exceptional circumstances shall be understood as significant events that, in a reasonable manner, compel the Borrower to sell, lease, or transfer the property during the occupancy period. The PRHFA will consider forgiving and/or releasing the lien of the property during the occupancy period only under the following exceptional circumstances:

- The birth of children with special needs or catastrophic illnesses that require leaving the country or purchasing a larger home during the required occupancy period.
- Military assignments or reassignments through an official transfer order that prevent the Borrower from continuing to occupy the property as their principal residence during the occupancy period.
- A newly acquired disability of the Borrower or a household member that requires leaving the country or purchasing a larger home during the required occupancy period.
- A catastrophic illness that requires leaving the country and results in the need to sell, lease, or transfer the property.
- Any other extraordinary event that the Program deems justified.

All exceptional circumstances must be duly documented by the Borrower and must not have been foreseeable at the time the HBA-MIT Program assistance was granted. The Borrower will be required to submit official evidence supporting the request, which may include, among others:

- Medical certifications;
- Court orders;
- Official documents from governmental or military agencies; or

- Any other reliable document that, in the judgment of the Program, demonstrates the extraordinary need for the requested waiver.

The forgiveness and/or release of the lien due to any of the exceptional circumstances, will be evaluated on a case-by-case basis and will be subject to the following conditions:

1. The Borrower must immediately notify the PRHFA of any situation that may trigger the need for the forgiveness and/or release of the lien, due to any of the exceptional circumstances, during the occupancy period.
2. There must be just cause duly documented by the Borrower.
3. The integrity of CDBG-MIT funds and compliance with HUD requirements must not be impaired.
4. The decision must be limited to the extraordinary circumstances expressly authorized, with the purpose of preserving the intent of the occupancy period required by HUD.

The Borrower must promptly notify the PRHFA of any situation that might trigger the recapture of the Grant.

Moreover, to voluntarily return the Grant, the Borrower will send a written request to the PRHFA stating the reason for such a request. The PRHFA reserves the right to request additional information or documentation as it deems necessary when evaluating these requests.

A Borrower may reapply to receive financial assistance from the Program following the recapture of the Grant by PRHFA due to the Borrower's voluntary return of the Grant or the non-compliance with the Restrictive Conditions during the Affordability Period. However, any forgiven portion of the Grant previously awarded and disbursed will be deemed as DOB.

15.2.1 Recapture

Instances may arise where an Applicant must return all or part of the awarded funding to the Program. The Program is responsible for recapturing duplicative funds, funds awarded to non-compliant Applicants, funds from Applicants who potentially received an overpayment, assistance obtained by fraud, and the entire amount or a portion of the grant from Applicants who violate the terms and conditions of the

Restrictive Conditions. All Applicant files will be reviewed and reconciled for accuracy to ensure compliance with Program requirements and federal guidelines.

Once it has been determined that an Applicant must return funds to the CDBG-MIT Program, they must repay the funds in a timely manner. All repayments shall be expected to be repaid in full as one lump sum amount.

Funds received following a recapture process shall be deposited into a no-interest-bearing bank account and shall be treated as credit to the Program. Once the Grant return has been recorded in the HBA Platform, the recaptured funds should be disbursed by the Program before requesting additional funds from the PRDOH. The amount of the recaptured funds shall be identified in the corresponding Invoice Package sent to PRDOH.

For more information about the PRDOH CDBG-DR/MIT Recapture Policy, see: <https://recuperacion.pr.gov/en/download/recapture-of-funds-policy/> (English) and <https://recuperacion.pr.gov/download/politica-de-recaptura-de-fondos/> (Spanish).

15.3 Annual Affordability Period Monitoring

PRHFA or its authorized representative will monitor compliance with the affordability period by sending an Annual Affordability Period Certification Notice each year. The Annual Affordability Period Certification Notice requires the Borrower to sign and submit a certification stating the residence continues to be their primary place of residence and to provide evidence of occupancy. The following documentation must be submitted to PRHFA or its authorized representative as evidence of occupancy:

- Copy of electric and water bills. These bills must confirm the service was provided to the purchased property during the current billing period and that such services are in the Borrower's name. If these services are not in the Borrower's name, the person whose name the service(s) are, must complete an additional certification. The person whose name the service(s) is(are) must be a household member at the time of the certification. The Borrower must also submit a copy of a photo ID from the person whose name is on the service(s). For the certification of the first year, the person whose name the service(s) is(are) must be the borrower or a household member at the time of the application. If the Property becomes disconnected from the electric service company, the Borrower must supply a certification from said provider. This is to affirm the disconnection from the grid, alongside a sworn statement

indicating the alternative method by which the Property is obtaining electricity.

- Copy of the Municipal Revenue Collection Center (**CRIM**, by its Spanish acronym) account statement showing the address of the purchased property. If the CRIM has not completed the owner change process, or the property has not been appraised for tax purposes, the Borrower may submit a Contributive Value Certification (Certificación de Valores Contributivos) indicating the tax state of the property.
- Cover page of the homeowner's hazard insurance policy in effect at the time showing the policy covers the purchased property.
- Any other document that PRHFA or its authorized representative deem necessary.

If the Borrower requires additional assistance to obtain the documents stated in this section, they may request assistance from PRHFA.

The Borrower has **thirty (30) calendar days** to reply to the Annual Affordability Period Certification Notice and provide proof of occupancy to PRHFA by mail or email. If PRHFA does not receive the information and documents requested in the established period, a second Annual Affordability Period Certification Notice will be sent to the Borrower. If the Borrower does not provide the requested information within **thirty (30) calendar days** of the second letter, a Final Notice for the Annual Affordability Period Certification Notice will be sent, with a referral to PRHFA's legal office to trigger the recapture mechanism.

15.4 Grant Closeout

At the end of the **five (5) year** affordability period, PRHFA will send a confirmation letter to notify the Borrower that the Restrictive Conditions have been fulfilled and outline the steps required by the Borrower to cancel them in the Property Registry. The Borrower is responsible for any resulting transaction fees to cancel the Restrictive Conditions.

16 Program Income

Any program income earned from program-funded activities will be subject to the rules outlined in Federal Register Notice 84 FR 45838. As a result of program noncompliance, Grant repayments will be treated by PRDOH as applicable credits to the Program.

To the maximum extent feasible, Program income shall be used or distributed before additional withdrawals from the U.S. Treasury are made, as required in 84 FR 45838. PRHFA will establish an independent, no-interest-bearing account for Program Income received from the Program. Program Income activity shall be reported to PRDOH.

17 Affirmative Marketing and Fair Housing

The PRHFA and PRDOH will ensure no person is excluded from participation in, denied the benefits of, or subjected to discrimination by the CDBG-MIT Program on the grounds of race, color, national origin, religion, sex, sexual orientation, age, familial status, or disability.²⁵

The PRHFA, as the designated Subrecipient, holds the primary responsibility for the implementation of the Outreach Plan, including the following activities:

1. Implementation and maintenance of the Outreach Plan;
2. Timely formulation and dissemination of communications;
3. Identification and addressing of key communication issues that may arise;
4. Work closely with PRDOH to ensure the target audience receives adequate information; and
5. Proposing modifications to reflect changing environments based on the Program's needs.

PRHFA's Outreach Plan must include, amongst others, the following activities:

- Publish programmatic information as necessary (e.g., Program Guidelines, training material, outreach material, etc.);
- Provide PRDOH with required documentation and information as specified in 84 FR 45838 for posting on the PRDOH CDBG-DR/MIT website <https://recuperacion.pr.gov/welcome/en/index.html> (English) and <https://recuperacion.pr.gov/welcome/index.html> (Spanish);
- Provision of non-essential information (when requested) such as bulletins, newsletters, or marketing materials for publication on the PRDOH CDBG-DR/MIT website; and

²⁵ 24 C.F.R. Part 8; See also Basically CDBG (November 2012) Chapter 19 HUD, Office of Block Grant Assistance. <https://files.hudexchange.info/resources/documents/Basically-CDBG-Chapter-19-Fair-Housing.pdf>.

- Engage Program stakeholders in the Program design and execution (e.g., Lending Institutions, Realtors' Associations, etc.).

PRDOH will be responsible for providing oversight, guidance, and support to PRHFA in executing the Outreach Plan.

PRDOH and PRHFA, as the Subrecipient of PRDOH responsible for the administration of the HBA-MIT Program, will take all necessary measures to affirmatively market and ensure accessibility of the HBA-MIT Program, as follows:

1. PRHFA and PRDOH will identify the groups it seeks to benefit from the Program and assess which groups and/or protected classes are historically underserved and are least likely to apply. Affirmative marketing strategies should also be employed to encourage Program participation from these two groups.
2. PRHFA and PRDOH will retain documentation of all marketing measures used, including copies of all advertisements and announcements available for public viewing upon request.
3. PRHFA and PRDOH will provide reasonable accommodations to make the Program accessible to people with disabilities. They will hold informational meetings and in-person application intake in buildings or areas that comply with the Americans with Disabilities Act (**ADA**), as amended (42 U.S.C. § 12101 *et seq.*), and provide appropriate assistance to hearing or visually impaired when requested.
4. PRHFA will use the Fair Housing logo in advertising, post Fair Housing posters, and provide related information. In general, PRHFA will inform the public of its rights and obligations under Fair Housing regulations.
5. PRHFA and PRDOH will monitor program participation to assess the results of employed marketing strategies to ensure that protected classes of people are not intentionally or unintentionally discriminated against.

The HBA-MIT Program information will be readily available and maintained in <https://recuperacion.pr.gov/welcome/en/index.html> (English) and <https://recuperacion.pr.gov/welcome/> (Spanish).

The information will be published in the languages predominantly used in the service areas.

In addition to marketing through widely available media outlets, PRHFA and PRDOH will take the following measures:

- PRHFA will advertise with media outlets that can provide unique access for persons considered members of the protected class under the Fair Housing Act.
- Applications will be accepted in person in multiple locations throughout Puerto Rico to make the Program accessible to those who may not have online access or need other assistance completing an application.
- Language interpretation services will be provided upon request.

18 Monitoring

HUD requires PRDOH, as Grantee, to monitor all Subrecipients and Partners to ensure compliance with applicable Federal requirements and to determine if performance expectations are being achieved. Monitoring is not limited to a one-time event. Instead, it is an ongoing process that assesses the quality of CDBG-MIT-funded program performance over the life of the SRA and involves continuous communication and evaluation. To meet this requirement, PRHFA will provide PRDOH with a Monthly Progress Report on the implementation of the HBA-MIT Program.

PRHFA will report to PRDOH as stipulated in each CDBG-MIT Agreement. All information reported will be available, as part of PRDOH's Quarterly Performance Reports (**QPRs**), at <https://recuperacion.pr.gov/en/transparency-portal/finance/reports/> (English) and <https://recuperacion.pr.gov/portal-de-transparencia/finanzas/reportes/> (Spanish).

19 Program-based Reconsideration and/or Administrative Review

Program Applicants may contest any determination or denial based on Program policy. However, Applicants may not challenge a federal statutory requirement. Applicants have the right to request a Program-based Reconsideration with the Program or an Administrative Review directly with PRDOH, as stated below. If the Applicant fails to contest a determination within the allotted time, the inaction will be deemed as an acceptance of the determination.

19.1 Program-based Reconsideration Request

Applicants who wish to contest a Program determination may file a Program-based Reconsideration Request directly with the HBA-MIT Program by submitting a written Request, in person or via electronic or postal mail, within **twenty (20) calendar days** from the date a copy of the notice was filed in the agency's record. However, if the date on which the copy of the notice is filed in the records of the agency differs from the postal or electronic mailing date of the said notice, the **twenty (20) calendar day-term** shall be calculated from the postal or electronic mailing date. Notices distributed via electronic communication shall be considered valid. In the event a notification is sent via postal and electronic mail, the notification date will be the one sent first. Program notices will include the electronic and postal information where these will be received, as these may vary.

Applicants who file a Program-based Reconsideration Request are encouraged to provide individual facts or circumstances and supporting documents to justify their petition. In the Reconsideration Request process, the Program will only review facts and information already included in an Applicant's file, unless the Applicant submits new documentation. The Program has the discretion to accept or reject new documentation based on its relevance to the Program-based Reconsideration Request.

The Program will review and address the Reconsideration Request within **fifteen (15) calendar days** of its receipt. Applicants will be notified of the reconsideration determination via a Program-based Reconsideration Request Approval or a Program-based Reconsideration Request Denial notification.

Filing a Program-based Reconsideration Request does not substitute, negate, or preclude any legal right an Applicant has to challenge a determination made by the Program. Therefore, Applicants who believe the initial determination of the Program to be erroneous, may submit, at their discretion, either a Program-based Reconsideration Request or a petition for review of the decision made by the Program by filing an Administrative Review Request at the PRDOH in accordance with Regulation No. 9618, of November 21, 2024, which regulates the Formal Adjudicative Procedures of the Department of Housing and its Adjunct Agencies (**Regulation**

9618).²⁶ During the review process of the Reconsideration request the application will be on hold until the Program determination.

19.2 Administrative Review Request

If an Applicant disagrees with a Program determination or with the Reconsideration Request Denial determination, said party may file directly with PRDOH, as grantee, an Administrative Review Request in accordance with Regulation NO. 9618. The Applicant must submit such request, in writing, within **twenty (20) calendar days** from the date the Program determination or a Reconsideration Request Denial determination was filed in the agency's records. However, if the date on which the copy of the notice is filed in the records of the agency differs from the postal or electronic mailing date, the **twenty (20) calendar day-term** shall be calculated from the postal or electronic mailing date. Notices distributed via electronic communication shall be considered valid. In the event a notification is sent via postal and electronic mail, the notification date will be the one sent first. The request may be submitted via e-mail to: LegalCDBG@vivienda.pr.gov; via postal mail to: CDBG-DR/MIT Legal Division, P.O. Box 21365, San Juan, PR 00928-1365; or in person at PRDOH's Headquarters at: CDBG-DR/MIT Legal Division, 606 Barbosa Avenue, Juan C. Cordero Dávila Building, Río Piedras, P.R. 00918.

If the Applicant disagrees with any **final** written determination on an Administrative Review Request notified by PRDOH after completing the Administrative Adjudicative Procedure, they may file a Judicial Review petition before the Puerto Rico Court of Appeals within **thirty (30) calendar days** from the date a copy of the notice has been filed in the agency's records. See Act No. 201-2003, as amended, 4 LPRA § 24 *et seq.*, known as the "Judiciary Act of the Commonwealth of Puerto Rico of 2003", and section 4.2 of Act 38-2017, as amended, 3 LPRA § 9672, known as the "Government of Puerto Rico Uniform Administrative Procedures Act".

20 General Provisions

20.1 Program Guidelines Scope

This document sets forth the policy governing the Program. These Program Guidelines are intended to aid and provide program activity guidance in Program

²⁶ For more details, you can access Regulation 9618 (in Spanish) at: https://docs.pr.gov/files/Vivienda/avp.pr.gov/Reglamentaci%C3%B3n/REGLAMENTO_9618_Sobre_Procedimientos_Ajudicativos_Formales_del_Departamento_De_La_Vivienda_y_Sus_Agencias_Adscritas.pdf

implementation and closeout and should not be construed as exhaustive instructions. All Program activities must comply with the policies stated herein. In addition, all program staff must adhere to established program procedures and all federal and state laws and regulations in effect, as applicable, in the execution of program activities.

However, PRDOH reserves the right to authorize, at its sole discretion, the granting of Program benefits to any applicant, only when exceptional circumstances not contemplated in these Guidelines justify it. Such faculty will be exercised case-by-case in compliance with local, state, and federal requirements. PRDOH is not obligated to grant the Program benefits in said cases.

20.2 Program Guidelines Amendments

PRDOH reserves the right to modify the policies established in these Guidelines if the Program Guidelines, as written, do not reflect the intended policy or cause procedures to be impracticable, among any other circumstances. If an amended version of these Guidelines is approved, the amended version fully supersedes all other previous versions and should be used as the basis when evaluating any situation encountered in the implementation and/or continuance of the Program from the date of its issuance, that is, the date appearing on the cover of the Guidelines. Each version of the Program Guidelines will contain a detailed version control log that outlines any substantive amendments, inclusions, and/or changes.

20.3 Extension of Deadlines

The Program could extend deadlines on a case-by-case basis. The Program may decline to extend a deadline if such an extension jeopardizes the Program's completion schedule or an individual project schedule. This extension strictly applies to program deadlines or established program terms. Under no circumstances does the faculty to extend deadlines apply to the established terms of time in these Guidelines or any applicable federal or state law or regulation or to the terms of times established in these Guidelines to request a Program-based Reconsideration, administrative review, and/or judicial review.

20.4 Established Periods of Time

Unless otherwise specified, all established periods of time addressed in this and all CDBG-DR/MIT Program Guidelines will be considered calendar days. On this matter,

PRDOH, as grantee, will follow Rule 68.1 of the Rules of Civil Procedure of Puerto Rico, 32 LPRA Ap. V, R. 68.1.

20.5 Written Notifications

All determinations made by the Program will be notified in writing. If an Applicant believes any determination was made without being written, the Applicant may request that such decision be made in writing and duly substantiated.

20.6 Conflict of Interest

As stated in 84 FR 45838, 45845 Federal regulations require that State grantees, in the direct Grant administration and means of carrying out eligible activities, be responsible for program administrative requirements, including those established in 24 C.F.R. § 570.489 (h) related to conflicts of interest.

Several federal and state conflict of interest laws can govern CDBG-DR/MIT-assisted activities. Therefore, PRDOH has enacted the Conflict of Interest and Standards of Conduct Policy (**COI Policy**) in conformity with the following applicable federal and state regulations:

1. HUD conflict of interest regulations, 24 C.F.R. § 570.611;
2. The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200 at § 200.112 and § 200.318 (c)(1);
3. Puerto Rico Department of Housing Organic Act, Act 97 of June 10, 1972, as amended, 3 LPRA § 441 *et seq.*;
4. The Anti-Corruption Code for the New Puerto Rico, Act 2-2018, as amended, 3 LPRA § 1881 *et seq.*; and
5. The Puerto Rico Government Ethics Office Organic Act, Act 1-2012, as amended, 3 LPRA § 1854 *et seq.*

The COI Policy outlines PRDOH's responsibility, in its role as Grantee, to identify, evaluate, disclose, and manage apparent, potential, or actual conflicts of interest related to CDBG-DR/MIT-funded projects, activities and/or operations. In accordance with 24 C.F.R. § 570.489, the COI Policy also includes standards of conduct governing employees engaged in the award or administration of contracts.

As defined in the COI Policy, a conflict of interest is a situation in which any personal or economic interest is or could reasonably struggle with the public interest. A COI situation arises when a public servant, employee, agent, consultant, officer, or elected official or appointed official of the PRDOH or of any designated public agencies or subrecipients that are receiving funds under the CDBG-DR/MIT Program may obtain a financial or personal interest or benefit that is or could be reasonably incompatible with the public interest. The personal or financial interest can be either for themselves or those they have business with, an organization that employs or is about to use any of the parties indicated herein, or a member of their family unit during their tenure or for **two (2) years** after.

PRDOH will not tolerate such conflicts of interest. PRDOH, Program officials, their employees, agents, and/or designees are subject to state ethics laws and regulations, including, but not limited to, the Puerto Rico Government Ethics Act of 2011, Act No. 1-2012, as amended, regarding their conduct in the administration, granting of awards, and program activities.

According to Act No. 1-2012, no public servant shall intervene, either directly or indirectly, in any matter in which he/she has a conflict of interest that may result in his/her benefit. No public servant shall intervene directly or indirectly in any matter in which any member of his/her family unit, relative, partner, or housemate has a conflict of interest that may benefit any of them. In the case any of the abovementioned relationships have ended during the **two (2) years** preceding the appointment of the public servant, he/she shall not intervene, either directly or indirectly, in any matter related to them until **two (2) years** have elapsed after his/her appointment. This prohibition shall remain in effect as long as the beneficial ties with the public servant exist. Once the beneficial ties end, the public servant shall not intervene, directly or indirectly, in such matter until **two (2) years** have elapsed.

This conflict-of-interest statement does not preclude PRDOH Program officials, their employees, agents, and/or designees from receiving assistance from the Program. On a case-by-case basis, PRDOH Program officials, their employees, agents, and/or designees may still be eligible to apply and to receive assistance from the Program if the Applicant meets all Program eligibility criteria as stated in these Guidelines and in the COI Policy. PRDOH Program officials, their employees, agents, and/or designees should disclose their relationship with PRDOH at the time of their application.

The COI Policy and all CDBG-DR/MIT Program policies are available at <https://recuperacion.pr.gov/en/resources/policies/> (English) and <https://recuperacion.pr.gov/recursos/politicas/> (Spanish).

20.6.1 FHA Conflict of Interest Policy

In cases where an HBA-MIT Program borrower secures an FHA-insured loan, FHA prohibits the following individuals from contributing to the down payment: homebuilders, sellers, real estate agents or brokers, or anyone with a vested interest in selling the house. Additionally, secondary financing may not be utilized when PRHFA acquires a HUD Real Estate-Owned (**REO**) property.

20.7 Citizen Participation

Throughout the duration of the grant, all citizen comments on PRDOH's published Action Plan, any substantial amendments to the Action Plan, performance reports and/or other issues related to the general administration of CDBG-DR/MIT funds, including all programs funded by this grant, are welcome.

Citizen comments may be submitted through:

- **Via phone:** 1-833-234-CDBG or 1-833-234-2324 (TTY: 787-522-5950)
Attention hours Monday through Friday from 8:00 a.m. - 5:00 p.m.
- **Via email at:** infoCDBG@vivienda.pr.gov
- **Online at:** <https://recuperacion.pr.gov/en/contact-us/contact/> (English)
<https://recuperacion.pr.gov/contactanos/contacto/> (Spanish)
- **In writing at:** Puerto Rico CDBG-DR/MIT Program
P.O. Box 21365
San Juan, PR 00928-1365

The Citizen Participation Plan and all CDBG-DR/MIT Program policies are available at <https://recuperacion.pr.gov/en/citizen-participation/> (English) and <https://recuperacion.pr.gov/participacion-ciudadana/> (Spanish). For more information on how to contact PRDOH, please refer to <https://recuperacion.pr.gov/welcome/index.html>.

20.8 Citizen Complaints

As part of addressing Puerto Rico's long-term recovery needs, citizen complaints on any issues related to the general administration of CDBG-DR/MIT funds are welcome throughout the duration of the grant. It is PRDOH's responsibility, as a CDBG grant recipient, is to ensure all complaints are dealt with promptly and consistently and at a minimum, provide a timely, substantive written response to every **written** complaint within **fifteen (15) business days**, where practicable. See 24 C.F.R. § 91.115(h) and 24 C.F.R. § 570.486(a)(7).

Citizens who wish to submit formal complaints related to CDBG-DR/MIT-funded activities may do so through any of the following means:

- **Via e-mail:** CDBGResponde@vivienda.pr.gov
- **Online at:** <https://recuperacion.pr.gov/en/contact-us/complaints/> (English)
<https://recuperacion.pr.gov/contactanos/quejas/> (Spanish)
- **In writing at:** Puerto Rico CDBG-DR/MIT Program
Attn: Public and Community Affairs Division: Complaints
P.O. Box 21365
San Juan, PR 00928-1365

Although formal complaints must be submitted in writing, complaints may also be received verbally and by other means necessary when PRDOH determines that the citizen's particular circumstances do not allow the complainant to submit a written complaint. However, PRDOH shall convert these complaints into written form in these instances. These alternate methods include, but are not limited to:

- **Via telephone:** * 1-833-234-CDBG or 1-833-234-2324 (TTY: 787-522-5950)
- **In-person at:** * PRDOH Headquarters Office or Program-Specific Intake Centers

*Attention hours: Monday – Friday from 8:00 a.m. to 5:00 p.m.

The Citizen Complaints Policy and all CDBG-DR/MIT Program policies are available at <https://recuperacion.pr.gov/en/resources/policies/general-policies/> (English) and <https://recuperacion.pr.gov/recursos/politicas/politicas-generales/> (Spanish).

20.9 Anti-Fraud, Waste, Abuse, or Mismanagement

PRDOH, as Grantee, is committed to the responsible management of CDBG-DR/MIT funds by advocating for the resources while maintaining a comprehensive policy for preventing, detecting, reporting, and rectifying fraud, waste, abuse, or mismanagement.

Pursuant to 83 FR 40314, PRDOH implements adequate measures to detect and prevent fraud, waste, abuse, or mismanagement in all programs administered with CDBG-DR/MIT funds. It also encourages any individual who is aware of or suspects any conduct or activity that may be considered an act of fraud, waste, abuse, or mismanagement regarding the CDBG-DR/MIT Program, to report such acts to the CDBG-DR/MIT Internal Audit Office, directly to the Office of Inspector General (**OIG**) at HUD, or any local or federal law enforcement agency.

The Anti-Fraud, Waste, Abuse, or Mismanagement Policy (**AFWAM Policy**) is established to prevent, detect, and report any known or suspected acts of fraud, waste, abuse, or mismanagement of CDBG-DR/MIT funds. This Policy applies to any allegations or irregularities, either known or suspected, that could be considered acts of fraud, waste, abuse, or mismanagement involving any citizen, previous, current, or potential Applicant, beneficiary, consultant, contractor, employee, partner, provider, subrecipient, supplier, and/or a vendor under the CDBG-DR/MIT Program.

REPORT FRAUD, WASTE, ABUSE, OR MISMANAGEMENT TO PRDOH CDBG-DR	
CDBG-DR Hotline	787-274-2135 (English/Spanish/TTY)
Postal Mail	Puerto Rico Department of Housing CDBG-DR/MIT Internal Audit Office P.O. BOX 21355 San Juan, PR 00928-1355
Email	hotlineCDBG@vivienda.pr.gov
Online	https://recuperacion.pr.gov/welcome/index.html https://recuperacion.pr.gov/app/cdbgdrrpublic/Fraud
In-person	Request a meeting with the Deputy Audit Director of the CDBG-DR/MIT Internal Audit Office located at PRDOH's Headquarters at 606 Barbosa Avenue, Building Juan C. Cordero Dávila, Río Piedras, PR 00918.

REPORT FRAUD, WASTE, ABUSE, OR MISMANAGEMENT DIRECTLY TO HUD OIG
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HUD OIG Hotline	1-800-347-3735 (Toll-Free) 787-766-5868 (Spanish)
Postal Mail	HUD Office of Inspector General (OIG) Hotline 451 7th Street SW Washington, D.C. 20410
Email	HOTLINE@hudoig.gov
Online	https://www.hudoig.gov/hotline

The AFWAM Policy and all CDBG-DR/MIT Program policies are available at <https://recuperacion.pr.gov/en/resources/policies/general-policies/> (English) and <https://recuperacion.pr.gov/recursos/politicas/politicas-generales/> (Spanish).

20.10 Related Laws and Regulations

These Guidelines refer to how the provisions of certain laws apply to the Program. However, other related laws may exist that are not included in these Guidelines. This does not negate or preclude the Program from applying the provisions of those laws, nor does it preclude an Applicant from receiving services when applicable. Moreover, PRDOH can enact, or may have enacted, regulations that address how the laws mentioned in these Guidelines are managed. If there are any discrepancies between these Guidelines and the laws and/or regulations mentioned, then the latter will prevail over the Guidelines. If, at any time, the laws and/or the applicable regulations mentioned in these Guidelines are amended, the new provisions will apply to the Program without the need to amend these Guidelines.

20.11 Cross-Cutting Guidelines

Some federal and local requirements apply to all programs funded by CDBG-DR/MIT. These Cross-Cutting Guidelines cover topics such as: financial management; environmental review; labor standards; acquisition; relocation; fair housing; among others. The requirements described in the Cross-Cutting Guidelines apply to all programs described in PRDOH's CDBG-MIT Initial Action Plan and its amendments.

The Cross-Cutting Guidelines and all CDBG-DR/MIT Program policies are available at <https://recuperacion.pr.gov/en/resources/policies/general-policies/> (English) and <https://recuperacion.pr.gov/recursos/politicas/politicas-generales/> (Spanish).

21 Program Oversight

Nothing contained within these Guidelines is intended to limit the role of PRDOH, HUD, and/or corresponding authorities from exercising oversight and monitoring activities of the Program.

22 Severability Clause

If any provision of these Guidelines, or the application thereof to any person, partnership, or corporation, or circumstance, is deemed invalid, illegal, or incapable of being enforced to any extent by a competent court, the remainder of these Guidelines, and the application of such provisions, will not be affected. All valid applications of these Guidelines shall be severed from any applications deemed invalid, leaving the valid applications in full force.

END OF GUIDELINES.