



DEPARTMENT OF  
**HOUSING**



# CDBG-DR PROGRAM GUIDELINES

## Homebuyer Assistance Program

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PUERTO RICO DEPARTMENT OF HOUSING  
CDBG-DR PROGRAM GUIDELINES  
**HOMEBUYER ASSISTANCE PROGRAM**  
VERSION CONTROL

<b>VERSION NUMBER</b>	<b>DATE REVISED</b>	<b>DESCRIPTION OF REVISIONS</b>
<b>1</b>	<b>July 1, 2020</b>	<b>Original Version</b>
<b>2</b>	<b>July 21, 2020</b>	<b>Edited Sections 1, 3, 4, 5, 8, 9, 11, 13, and 15. All edits are marked in gray highlight.</b>
<b>3</b>	<b>October 22, 2020</b>	Multiple edits throughout the document to correct references and citations; specify Program requirements; include subsection 19.11 of Record Retention. <b>All edits are marked in gray highlight.</b>
<b>4</b>	<b>November 18, 2021</b>	Relocation of various sections, substantial amendments to language regarding Program requirements, budget figures, and Program procedures; added section 7, subsections 8.1, 10.2, 11.3, 12.1.5, 13.2. <b>All edits are marked in gray highlight.</b>

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## 1 Overview

Outmigration already posed a challenge to community sustainability and viability across Puerto Rico before the landfall of Hurricanes Irma and María. Following the disasters, this problem has only magnified. There are decreasing levels of homeownership across the Island and a growing stock of vacant homes. Puerto Rico must curtail and reverse this negative trend by making homeownership more accessible to homebuyers.

As part of the Puerto Rico Disaster Recovery Action Plan, the Puerto Rico Department of Housing (**PRDOH**), as grantee, has designated the Puerto Rico Housing Finance Authority (**PRHFA**) as the Subrecipient to administer the Homebuyer Assistance Program (hereinafter "**the Program**" or "**HBA**"). The Program provides a budget of two hundred ninety-five million (**\$295,000,000**) in CDBG-DR homeownership assistance funds to assist with the gap between the amount of the first mortgage the Applicant is able to obtain from a Lending Institution and the purchase price of a home. The assistance is provided to Low-and Moderate-Income (**LMI**) and Urgent Need (**UN**) persons negatively affected by Hurricanes Irma and María who are homebuyers for the purchase of a primary residence. PRHFA and PRDOH herein, are expressly subject to and conditioned upon the ongoing availability of funds. All **seventy-eight (78)**-municipalities are classified as most impacted and distress areas for this Program. Applicants who accept a CDBG-DR award under the Homebuyer Assistance Program must agree to own and occupy the program-assisted home for a period of **five (5) years**, as secured by a lien on the property.

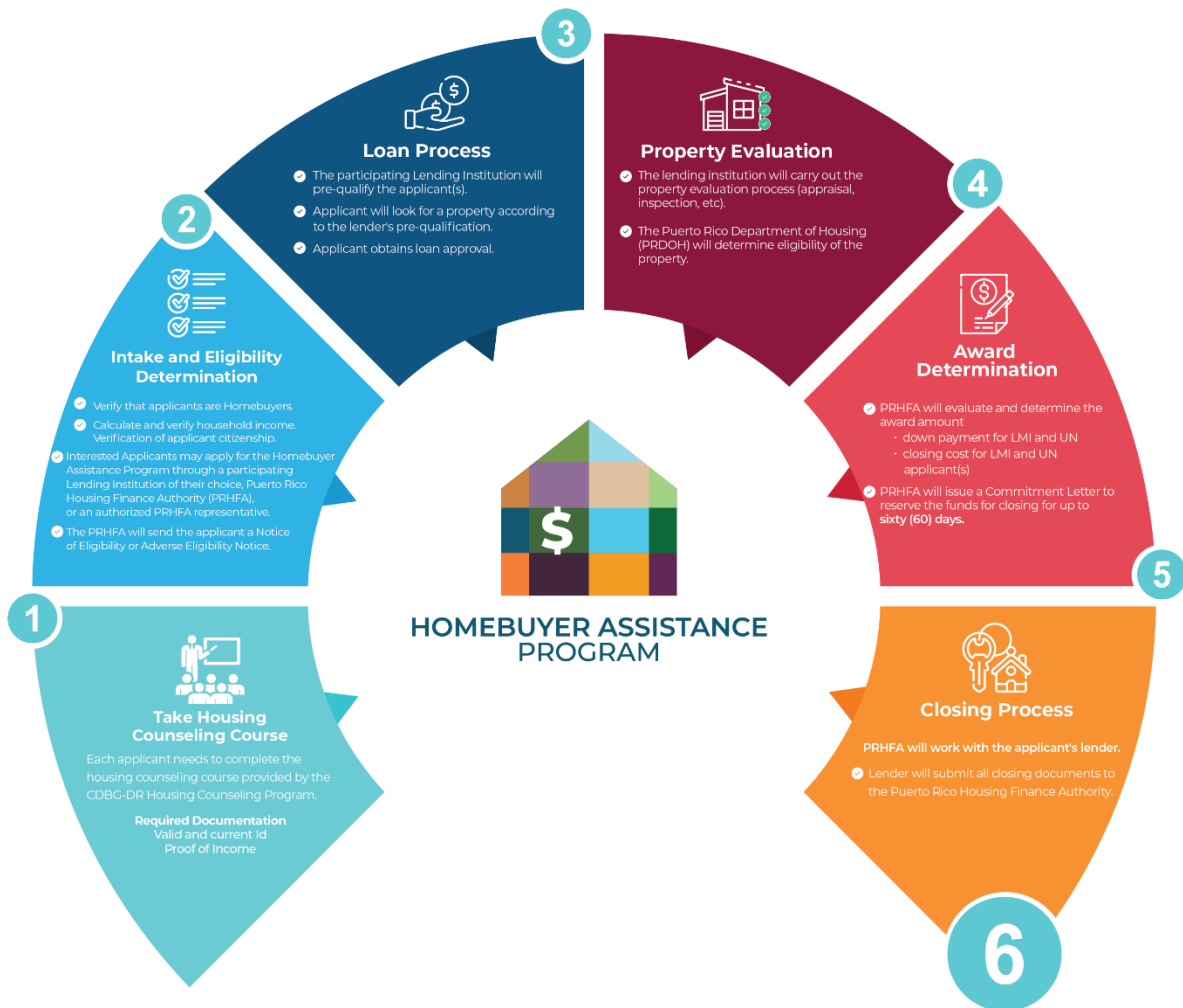
The Program aims to increase the level of homeownership in impacted communities and contribute to the long-term sustainability and viability of communities across the Island. Assistance will be provided in the form of a grant secured with restrictive condition on the property for the amount of the CDBG-DR assistance through a Second Direct Mortgage and Restrictive Conditions for a **five (5) year** affordability period.<sup>1</sup>

The PRDOH recognizes and understands that members of the Critical Recovery Workforce (**CRW**) are instrumental in providing public safety, emergency support, education for school age children, and healthcare for families in communities working to recover and rebuild. During the first **forty-five (45) calendar days** of the application intake period, the Program will prioritize eligible households that contain CRW members. Priority Applicants who submit all documents required for eligibility review during this **forty-five (45) calendar day period** will be reviewed for eligibility prior to reviewing eligibility for nonpriority Applicants. Following such period, the Program will continue to prioritize CRW members while also accepting applications from the general public.

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

These Program Guidelines are intended to provide an overview of the HBA Program, as well as provide information to Applicants, potential Applicants, and participating lenders on the guidelines and requirements of the program.



## 2 Definitions

- **Acquisition:** The utilization of CDBG-DR funds to acquire real property.
- **Affordability Period:** The period of time the homebuyer is required to own and occupy the 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. 24 C.F.R. §5.403.

- **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, licensed through the Puerto Rico State Department.
- **Appraiser:** A duly licensed and qualified individual who conducts real estate property appraisals in Puerto Rico, as established in Act No. 277 of July 31, 1974, as amended.
- **Area Median Family Income (AMFI):** The median household income adjusted by family size for a given area. HUD has adjusted income limits for all of Puerto Rico. Adjusted income limits are updated annually by HUD and can be accessed at the HUD Exchange website<sup>2</sup>.
- **Back-end Ratio:** Also known as the Debt-to-Income Ratio, is the percentage that expresses the relationship between a borrower's total monthly obligations (including total mortgage payment) and his or her gross monthly income.
- **Borrower(s):** A person who applies for and receives a loan in the form of a mortgage and owes a debt to a creditor or lender.
- **Case Manager:** A PRHFA employee or an authorized representative of PRHFA. The Case Manager serves as the applicant's main point of contact and is responsible for collection of documents, eligibility review, and income verification. The Case Manager makes a recommendation on applicant eligibility and manages the eligibility reconsideration process.
- **Closing Costs:** Ordinary and reasonable expenses over and above the price of the property incurred by buyers and sellers when transferring ownership of a property and completing the closing of a mortgage loan.
- **Community Development Block Grant – Disaster Recovery (CDBG-DR):** A term for the HUD funding stream that is allocated to eligible disaster recovery entities via congressional appropriations.
- **Commitment Letter:** The notification that is sent to Applicant indicating the action of reserving funds that are conditionally awarded to the Applicant as a grant for the purchase of a specific dwelling unit. It is a pre-obligation; it is not legally binding and shall be valid for a period of **sixty (60) days**.
- **Critical Recovery Workforce (CRW):** For purposes of this Program, Critical Recovery Workforce refers to employed **licensed**, and documented workforce members, **authorized to and currently exercising their profession in Puerto Rico**, including but

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<sup>2</sup> Income Limits for FY2020 can be found here: <https://www.hudexchange.info/resource/5334/cdbg-income-limits/>



not limited to, first responders, medical personnel, teachers (PreK-12), and law enforcement officials who are either LMI (below 80% AMFI) or UN (below 120% AMFI).

Critical Recovery Workforce (CRW) professions include, but are not limited to:

- Law Enforcement: Law enforcement officers employed by a federal, state or municipal law enforcement entity in Puerto Rico; and, in carrying out such employment, are sworn to uphold, and make arrests for violations of, federal, state, tribal, county, township, or municipal laws. Includes federal, state and municipal police officers; correctional officers under state or federal correctional departments, members of the Puerto Rico National Guard, and all branches of the U.S. Military Services.
- Education: Employees of a public or private educational institution in Puerto Rico, duly accredited, that provides direct services to students. This category includes pre-kindergarten through 12<sup>th</sup> grade teachers, university professors, librarians, counselors, social workers, and other related personnel who provide services within an educational environment in Puerto Rico.
- Firefighters: Employed as a firefighter by the Puerto Rico Fire Department ("Cuerpo de Bomberos de Puerto Rico") that is 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.
- Infrastructure: Workers employed in addressing the needs of Puerto Rico's critical infrastructure, such as maritime ports, airports, aqueducts and sewer, electricity, gas, telecommunications, roads, highway, and transportation.
- Atmospheric Surveillance: Staff employed by a federal, state or local entity dedicated to monitoring atmospheric conditions.
- Emergency Medical: Personnel employed of a Puerto Rico emergency services unit (public or private accredited entity). Person authorized by the Puerto Rico Secretary of Health and who has received training in the phases of emergency medical technology, which includes, among others, communication, emergency patient care, maintenance of work equipment, techniques and procedures of the Emergency Room (ER), patient handling and transportation, knowledge of the procedures used in obstetrics and assistance in respiratory and cardiac emergencies.

- Healthcare Professionals: Employed medical professional duly admitted to practice in Puerto Rico (public or private accredited entity), in accordance with applicable laws and regulations; any of the professions in the field of health and medical care, such as, among others, doctors, surgeons, dentists, pharmacists, nurses and medical technologists, as authorized by the corresponding laws of Puerto Rico. Employed specialists in the area of social work, psychologists, psychiatrists, and counselors duly authorized to practice the profession who are dedicated to provide prevention, treatment and rehabilitation services in the area of 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 includes professionals from the private sector.
- Supply Chain: Employees engaged in the transportation and delivery of food, health equipment and products, and basic necessities.
- Emergency Management: Workers employed in the public or private management of emergency disasters in Puerto Rico and its posterior recovery work.
- Veterinary/Animal Services: Employed animal medical professional duly admitted to practice in Puerto Rico (public or private accredited entity), in accordance with applicable laws and regulations. Employees in registered organizations dedicated to services in benefit of animals, such as, among others, animal rescue.
- **Down Payment:** The down payment is the difference between the selling price and 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-DR funds.
- **Fair Housing Act:** 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:** In the closing event, the Applicant will be the beneficiary of the reserved funds.

• **First-Time Homebuyer:** means an individual and his or her spouse who have not owned a home during the **three (3) year** period prior to the purchase of a home with assistance under this part. The term first time homebuyer also includes an individual who is a *displaced homemaker or single parent*, as those terms are defined at 24 C.F.R. § 93.2:

• **Displaced homemaker** means an individual who:

(1) Is an adult;

(2) Has not worked full-time for a 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.

• **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.

- **Front-end Ratio:** The relationship, expressed as a percentage, between applicants' housing expense and their gross monthly income. That includes principal, interest, taxes, hazard insurance, and mortgage insurance.
- **Hazard Insurance:** Insurance coverage that protects a property owner against damage caused by earthquakes, hurricanes, fires, or other natural events.
- **Household Income:** The anticipated **adjusted** gross amount of income from all sources for all adult family members as defined for reporting under the Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax purposes.
- **Household Member:** A household member is defined as any person occupying the same housing unit, regardless of their relationship to each other. This may include minor children, temporarily absent family members, and may include permanently absent family members (such as those who reside in a nursing home).
- **Household Size:** A household is defined as all persons occupying the same housing unit, regardless of their familial status or relationship to each other. The household members include all persons, including minor children and adults.
- **Housing Counseling Agency:** Either a 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) are

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** to carry out mortgage business in Puerto Rico. To originate subsidized loans under the Program, they must comply with the requirements and enter into agreements required by the PRHFA.
- **Long Term Mortgage:** A **thirty (30)-year** fixed rate and fully amortized loan product.
- **Low- and Moderate- Income (LMI):** Low- and moderate- income populations are those having incomes not more than **eighty percent (80%)** of Area Median Family Income as established by HUD. This income standard changes from year to year and varies based on household size and geography<sup>3</sup>. HUD has calculated adjusted income limits for Puerto Rico upon which an LMI determination is based. The Program has the goal of providing at a minimum **thirty percent (30%)** of the available funds to LMI Applicants.
- **Mortgage:** A loan in which property or real estate is used as collateral. The Borrower enters into an agreement with a mortgage lender wherein the Borrower receives cash upfront then makes payments over a set time span until the entire loan is repaid to the mortgage lender.
- **PITI:** The acronym for principal, interest, taxes, homeowner's flood and mortgage insurance.
- **Principal or Primary Residence:** Refers to a dwelling where a person maintains or will maintain primary residence, and 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:** The most probable price which a property should bring in a competitive and open market under all condition's requisite to a fair sale, with the buyer and seller property market value must be identified through an appraisal.
- **Puerto Rico Action Plan and its Amendments (APA):** Defines how the CDBG-DR funding allocation by HUD will be utilized in order to meet the humanitarian needs of the Island's residents through the implementation of a transformative recovery program. The Action Plan provides an analysis of the first damage calculation and reports on the programs that will meet unmet needs of housing, economic recovery, and infrastructure. See <http://www.cdbg-dr.pr.gov/en/action-plan/> for

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<sup>3</sup> HUD Modified Income Limits change annually. See: <https://www.cdbg-dr.pr.gov/en/download/program-income-limits-for-all-areas-in-puerto-rico/>.

the English version and <https://www.cdbg-dr.pr.gov/plan-de-accion/> for the Spanish version.

- **Puerto Rico Department of Housing (PRDOH):** The Department of Housing of Puerto Rico has been designated as the Grantee responsible for administering the CDBG-DR funds allocated to Puerto Rico for the recovery from disasters caused by Hurricanes Irma and María of 2017. PRDOH will provide oversight of this Program.
- **Puerto Rico Housing Finance Authority (PRHFA):** PRHFA (**AFV**, for its Spanish acronym) is 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, excluding usual and reasonable settlement or finance costs, and the value of services performed by the mortgagor in completing the acquisition.
- **Qualified Homebuyer:** an individual or, in case of married couples, an individual and his or her spouse who do not own a home at the time of application for assistance under this Program.
- **Real Estate Owned (REO):** A type of property that is owned by a lender, such as a bank, that has been successfully sold at a foreclosure auction. A HUD REO home is a property without liens sold by the government often well below market value.
- **Recapture:** Means recapture provisions ensuring the PRHFA recoups all or a portion of the CDBG-DR assistance to Borrower(s) if the housing does not continue to be the principal residence of the family for the duration of the affordability period.
- **Rehabilitated Property:** For this Program, means any property which requires minor nonstructural repairs that, after addressed, classify the property as move-in ready, provided these repairs are outlined in the initial appraisal report of said property.
- **Release of Restrictive Conditions:** The deed and other document(s) the PRHFA shall prepare and issue and present at the Registry of Property, or cause to be prepared or issued, releasing the 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 title deed of the property, which is binding on the owner restricting the use of the property.
- **Second Direct Mortgage:** A deed that is next in rank after the first deed on the same property.

- **Special Flood Hazard Area (SFHA):** Means the term used by FEMA in the National Flood Insurance Program (NFIP) to 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).
- **System for Subsidy Program (SSP):** Means the web-based system created by PRHFA to facilitate the administration of the Homebuyer Assistance Program.
- **Subrecipient Agreement (SRA):** Contract entered between PRDOH and PRHFA to administer and implement this Program.
- **Subsidy:** Direct financial assistance provided to both LMI and UN eligible homebuyer to reduce their interest rate and mortgage principal.
- **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 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:** Refers to incomes at the **one-hundred and twenty percent (120%)** of Area Median Family Income as established by HUD. This income standard changes from year to year and varies based on household size and geography. HUD has calculated adjusted income limits for Puerto Rico upon which an Urgent Need (UN) determination is based.

### 3 National Objective

The National Objectives of the Homebuyer Assistance Program are:

- **Benefit Low-to-Moderate Income Persons Objective:** To benefit LMI households as defined by HUD Modified Income Limits for Puerto Rico under the CDBG-DR Program.
- **Urgent Need Objective:** To meet the urgent need of reducing outmigration caused by the Hurricanes in order to maintain the sustainability and economic viability of communities across Puerto Rico by improving homeownership

opportunities for households below **one-hundred and twenty percent (120%)** AMFI.<sup>4</sup>

## 4 Program Description

The HBA Program removes financial barriers to the dream of homeownership by lowering home acquisition and carrying costs, as well as, enabling qualified families to purchase a home that provides a stable residence that serves to strengthen the family, the neighborhood and the community.

The PRHFA, as the designated Subrecipient, will administer CDBG-DR funding to support **first-time** homebuyers with the purchase of an existing property. Applicants may be eligible to receive financial assistance in the form of a grant to be used towards the **purchase of a new or existing home**. Assistance amount will be **determined in accordance with the Underwriting Criteria outlined in these Guidelines**.

The Program will provide grants of up to:

- a maximum of **twenty-five forty-five thousand dollars (2 \$45,000)** per eligible Low and Moderate-Income and Urgent Need households; and
- a maximum of **thirty fifty-five thousand dollars (3 \$55,000)** per eligible Low and Moderate-Income and Urgent Need households for households with CRW members.

The Program will provide an additional redevelopment incentive of up to **five thousand dollars (\$5,000)** **not to exceed the established program cap for eligible households who elect to purchase a home in a designated urban center certified by PRDOH.** ~~for eligible households who elect to purchase a home in a designated urban center certified by PRDOH.~~

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

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<sup>4</sup> FHA Policy 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 June 29, 2020, the Atlanta Homeownership Center granted approval of an increase of the standard 115% AMI limit as identified in the CFR and Handbook so that PRHFA can provide down payment and closing cost assistance to borrowers who are utilizing FHA mortgage insurance with incomes not to exceed 120% of AMI in purchasing eligible properties in Puerto Rico. This allows for FHA's AMI limit to match that of HUD's Office of Community Planning and Development's 120% AMI limit which subsequently allows the PRHFA to take advantage of the CDBG-DR funding opportunity.

marketing and outreach activities. See Affirmative Marketing & Fair Housing section in these Guidelines for more information.

Applicants and potential Applicants will be able to learn about the Program and stay up to date through multiple communication channels to ensure interested parties receive timely, accurate information on the Program and its requirements. Communication methods may include, but are not limited to the Puerto Rico CDBG-DR Website, the PRHFA Website, Published Program Materials; Mass Media, and other related communication methods.

#### 4.1 Application Process Overview

The Program is designed to complement a normal private market real estate transaction in that it will be administered with the least number of additional overlays as possible, while still maintaining pProgram compliance. The following is a high-level overview of the application process:

1. Intake Applicants will be required to attend a housing counseling course provided by the CDBG-DR Housing Counseling Program.
2. Applicants will be required to complete a Program application through a participating Lending Institution and submit all required pProgram documentation. Lending Process:
  - a. Applicant secures first mortgage with Lending Institution and real estate purchase process.
3. Applicant Evaluation and Eligibility Determination:
  - a. Verification of first-time homebuyer requirement.
  - b. Verification of citizenship status and calculation of household income.
  - c. Once Applicant's file is complete<sup>5</sup> and evaluation of file has been completed, PRHFA will issue an Eligibility Notice or an Adverse Eligibility Notice to the Applicant.
    - i. If an Adverse Eligibility Notice is sent, the Applicant has the right to file a Program-based reconsideration request and/or Administrative Review of the determination if he/she believes an error has occurred, as provided herein. See Program-Based Reconsideration Request and/or Administrative Review section in these Guidelines for more information.
  - d. Verification of Applicant's compliance with requirement of securing a first mortgage.

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<sup>5</sup> For more information about the Housing Counseling Program, location(s) and contact(s) of our Counseling Agencies, visit <https://www.cdbg-dr.pr.gov/en/housing-counseling/> (English) and <https://cdbg-dr.pr.gov/asesoria-de-vivienda/> (Spanish).



- ~~e. Verification of submitted application and documentation.~~
- ~~4. Housing counseling~~
- ~~5. Lending Institution conducts property review process (i.e. inspection, appraisal, etc.).~~
- ~~6. Property Eligibility Determination~~
  - ~~a. Environmental Review~~
    - ~~i. A HUD Environmental Review will be performed on the property, by PRDOH or its authorized representative, prior to commitment of federal funds by PRHFA (24 C.F.R. Part 50).~~
    - ~~ii. The property must have no substantial adverse environmental factors as determined by an environmental review.~~
    - ~~iii. Properties must not be located in a Special Flood Hazard Area (SFHA) or Coastal Barrier Resources area.~~
  - ~~b. Selected properties must meet HUD Housing Quality Standards (HQS), and all applicable local codes.~~
  - ~~c. Property must be able to 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 Covenants.~~
  - ~~d. Redevelopment Incentive Determination~~
    - ~~1) PRDOH will review property's location and determine and certify whether the property is located within a designated urban center.~~
  - ~~e. Property Review~~
    - ~~1) PRHFA will assess the Applicant's interested property as soon as possible after a case assignment has been received to document the current conditions and status of the eligible property.~~
- ~~7. Final Determination of Assistance Amount~~
  - ~~a. PRHFA will perform an underwriting review to determine the total amount of assistance (including prepaids and/or closing costs) to be awarded to the Applicant that will be listed in the Commitment Letter sent to the Applicant lender.~~
- ~~8. Closing Process~~
  - ~~a. PRHFA will submit a Commitment Letter reserving the funds for the contemplated transaction for **sixty (60) days.**~~
    - ~~1) The Applicant has the right to file a Program-based reconsideration request and/or Administrative Review of the determination if~~

~~he/she believes an error has occurred with the determination of the total amount of assistance to be awarded.~~

#### ~~9. Disbursement Process~~

~~a. PRHFA will work with the Applicant's Financial Institution.~~

~~1) The Lending Institution will submit Applicant's closing documents to PRHFA.~~

#### ~~10. Compliance & Monitoring~~

~~a. Annually, the Borrower must confirm residency and occupancy of the home as their primary residence through the **five (5) year** affordability period.~~

## 4.2 Program Objectives

The Program seeks to achieve the following objectives:

- ~~The primary objective is to increase homeownership rates that will support long-term sustainability and economic viability of communities impacted by Hurricane Irma and María across the Island;~~
- ~~The secondary objective is to incentivize the CRW to continue to reside in communities helping to reduce outmigration and improve job retention and productivity.~~
- ~~Improve the opportunities of homeownership for Low to Moderate Income and Urgent Needs households in Puerto Rico.~~

## 5 Eligible Activities and Use of Funds

~~This section sets forth the eligible uses of CDBG-DR funds for the Program. Section 105(a) (24) of the Housing Community Development Act of 1974, as amended, 42 U.S.C. § 5305, establishes as an eligible use for the funds, the provision of direct assistance to facilitate and expand homeownership. Funds will be used to assist income eligible first time homebuyers to acquire an eligible and existing building, structure, or portion thereof which is occupied as, or designed or intended for occupancy as, a residence by one or more families existing market listed home ready to move in. Only single family residential units located in Puerto Rico will be eligible for the Program. For the purpose of this Program, single family homes may include a dwelling within a one (1) to two (2) unit structure.~~

### 5.1 Eligible Use of Funds

~~This section sets forth the eligible uses of CDBG-DR funds for the Program in accordance with Section 105(a) (24) of the Housing Community Development Act of 1974, as amended, 42 U.S.C. § 5305, and Federal Register Vol. 83, No. 28 (February 9, 2018), 83 FR 5844. The Program utilizes CDBG-DR funds to provide direct assistance to homebuyers to facilitate and expand homeownership by using such assistance to:~~

- Subsidize interest rates and mortgage principal amounts for both LMI and UN homebuyers. The subsidy will be applied towards the purchase price.
- Pay up to **100 percent (100%)** of the down payment required by the mortgage for the purchase on behalf of the purchaser for both LMI and UN homebuyers.
- Pay reasonable closing costs associated with the home purchase on behalf of the purchaser for LMI homebuyers only.

Assistance will be awarded in the form of a grant to applicants deemed eligible, who seek financing to purchase a primary residence through a participating Lending Institution to cover an Applicant's unmet need required for the purchase.

~~Based on the above, the following are eligible uses of funds for homeownership assistance activities under this Program:~~

#### 5.1.1 Down Payment Assistance

~~The Program may cover up to **one hundred percent (100%)** of the down payment required by the Lending Institution.~~

~~In the case of down payment, assistance may be provided in order to lower the front-end ratio of the Applicant to **twenty percent (20%)**. In the discretion of PRHFA, additional assistance may be provided based on the need of the Applicant. In any case, the assistance provided by the Program to an Applicant will not exceed the corresponding maximum award.~~

#### 5.1.2 Closing Costs

~~The Program may cover reasonable and customary closing costs, 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 any other similar costs not to exceed **six five percent (65%)** of the primary loan amount.~~

~~However, if the closing costs exceed six percent (6%), the Applicant must cover the amount in excess, which must not exceed seven percent (7%) of the primary loan amount.~~

## 5.2 Ineligible Use of Funds

The following activities, including but not limited to, may not be covered by CDBG-DR funds administered under this Program:

- Delinquent property taxes;
- Fees or charges on properties which are the result of the seller;
- Refinancing of existing mortgages; and
- Finance acquisitions of second homes.

## 6 Program Intake

Interested Applicants may apply for the Homebuyer Assistance Program through a participating Lending Institution of their choice, PRHFA, or an authorized PRHFA representative.

During the intake process, the Applicant will be required to furnish the below information:

- Proof of Identification for Applicant and all household members.
- Income Verification Documents for Applicant and all household members aged eighteen (18) and older;
- Valid Certificate of Completion for a Homebuyer Education Course; and
- Signed attestation document to certify that the Applicant meets the definition of "Qualified Homebuyer" in these Guidelines.

Prior to applying for the Program, prospective Applicants should review the eligibility criteria outlined in these Guidelines and the Applicant Document Checklist to be published on <https://cdbg-dr.pr.gov/en/homebuyer-assistance-program/> (English) and <https://cdbg-dr.pr.gov/programa-de-asistencia-directa-al-comprador/> (Spanish).

## 7 Program Eligibility

~~Interested Applicants may apply for the Homebuyer Assistance Program through a participating Lending Institution of their choice.~~

- ~~• Applicant must meet the first-time homebuyer requirement;~~
- ~~• Applicant must be able to secure a first mortgage from a lending institution;~~
- ~~• Applicant must participate in a Homebuyer Education Course provided by a HUD-certified housing counseling agency and submit a certificate of completion;~~
- ~~• Applicant must complete and submit all required documentation by this Program; end~~
- ~~• The Applicant must select a property that meets the Property Eligibility and Environmental Review requirements outlined in these Guidelines.;~~
- ~~• The Applicant must agree to use the acquired home as a primary residence throughout the proscribed affordability period of **five (5) years**;~~

Applicants to the Program will be screened for eligibility to ensure compliance with Program Requirements. Applicants will be required to provide complete and accurate information regarding their household composition, household 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 and all such instances will be referred to the Program for further action.

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 a LMI or UN households. The applicant's total household income must not exceed the one-hundred and twenty percent (120%) Area Median Family Income (AMFI) limits, as established by HUD.
- The applicant must meet the definition of "Qualified Homebuyer" (See Definitions);
- Complete a Homebuyer Education Course provided by a HUD-certified housing counseling agency and submit a certificate of completion. <sup>6</sup>
- Be able to secure a first mortgage from a participating lending institution.

### 7.1 Applicant Identification

As part of the Program application, all applicants and household members will be required to submit documentation to prove their identity. 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 for applicants' household members. Applicants must submit a photo ID.

### 7.2 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) States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, or the

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<sup>6</sup> For more information about the Housing Counseling Program, location(s) and contact(s) of our Counseling Agencies, visit <https://www.cdbg-dr.pr.gov/en/housing-counseling/> (English) and <https://cdbg-dr.pr.gov/asesoria-de-vivienda/> (Spanish).

	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 USC Chapter 12;  -An asylee, refugee, or an alien whose deportation is being withheld, under de INA;  -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, on a case by case basis, the HBA Program will accept – as proof of citizenship or legal presence – documentation listed in the Interim Guidance on Verification of Citizenship, Qualified Alien Status and Eligibility Under 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.

Temporary tourist visa holders, foreign 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.

### **7.3 Income Verification and Household Size**

All applicants must meet the UN income limits, which are adjusted for family size. Total annual household gross income, for all household members aged eighteen (18) and over, shall not exceed 120% income limits, as defined by adjusted income limits for Puerto Rico.

#### **7.3.1 Calculating Household Income**

A household is defined as all persons occupying the same unit, regardless of familial status or relationship to one another. For this Program, Applicants must provide income documentation for all household members aged eighteen (18) and older at the time of Program application. Income types and associated documentation required for income verification may include, but are not limited to:

- Wages: Three (3) recent paystubs within the past three (3) months, W-2 Forms;
- Retirement/Social Security
  - Three (3) Monthly Bank Statements (Social Security Benefits & Pension only),
  - Current Social Security Benefits letter
  - Current Pension/Retirement Benefit letter (if applicable), or prior year 1099 form, and
  - Current Annuity Payment Letter (if applicable), or prior year 1099 form;
- Self-employment Income:
  - Most recent tax return (1040 or 1040A), and/or
  - Current year profit and loss statement;
- Rental Income: Current lease agreements;
- Unemployment Benefits: Current benefit letter with gross benefit amount;
- Court Ordered Alimony/Spousal Maintenance: Copy of court order documentation;
- Taxable Interest and Dividends (including amounts received by, or on behalf of minors);
- Zero income certification for all household members that do not receive any form of income.

HBA Program will consider the documentation with the date closest to the evaluation and award of assistance to calculate the household income.

## 8 Eligibility Review

Upon submission of a Program application, PRHFA will conduct an eligibility review to verify that Applicants are eligible to receive assistance in accordance with the criteria outlined in these Guidelines.

Eligibility determinations for each submitted Program application will be made by PRHFA based upon the documentation submitted by the Applicant and verification of information by third-party sources, including federal databases. These decisions will be made based on applicable statutes, Codes of Federal Regulation, state and local codes, and Program Guidelines.

Applicants who are deemed eligible will be sent a written Eligibility Notice informing them of the eligibility decision. The correspondence will include a notice informing the Applicant of the eligibility determination and a description of required next steps. The eligibility determination will be valid for a period of **ninety (90) days**.

If at any point during the Program eligibility determination process or throughout any other phase of the process, it is found that the Applicant is ineligible for the Program, the Applicant will be notified through an Adverse Eligibility Notice. The notice will outline the eligibility determination made and next steps, instructions for submitting a Program-based Reconsideration Request and/or an Administrative Review Request. The notification will inform the Applicant of the reason for ineligibility and outline the process to challenge the decision. See the Program-based Reconsideration and/or Administrative Review section of these Guidelines.

### 8.1 Applicant Withdrawal

#### 8.1.1 Non-Responsive Applicants

Upon receipt of the Eligibility Notice, the applicant has a period of **ninety (90) days** to start the process to secure a mortgage. If the Applicant fails to begin the mortgage financing process within that period, the Program will issue a Non-Responsive Notice through regular mail and electronic mail, that provides multiple communication methods for contacting the Program, advises the Applicant of the next steps in the application process, and notifies the applicant that he/she must start the lending process with an authorized lender within **fourteen (14) days** of the date of the letter.

If the Applicant is not able to begin the lending process with a participating lender within the **fourteen (14) days** allowed, the application will be withdrawn from the Program and the Applicant will receive a Non-Responsive Confirmation Notice. Withdrawal from the Program does not prevent the Applicant from re-applying to the Program once the Applicant is ready to begin the mortgage financing process.



### 8.1.2 Voluntary Withdrawal

An Applicant may request to withdraw from the Program at any time after receiving the Eligibility Notice. To withdraw, the Applicant will notify the Case Manager in writing of their desire to withdraw from the Program. The Applicant may send the letter via regular mail or electronic mail. Upon completion of the withdrawal process, the Applicant's status will be updated to "Withdrawn."

## 9 Housing Counseling Requirement

Housing Counseling performed by HUD-certified professionals leads to better-performing loans made to better-qualified borrowers and stronger communities with healthier economies and far fewer foreclosures.

All eligible Applicants will be required to attend a housing counseling course provided by a HUD certified Housing Counseling Program or the CDBG-DR Housing Counseling Program on the responsibilities of being a homeowner. HUD certified Housing Counselors will provide a Homebuyer Education Course specific to the needs of these Applicants.

Housing Counseling for this Program shall adhere to the following standards:

- Counseling may take place in the office of the housing counseling agency, at an alternate location, by telephone, or videoconferencing, as long as it is mutually acceptable to the housing counselor and 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 decisions to purchase a home, the selection and purchase of a home, issues arising during or affecting the period of ownership of a home, 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**. It is the responsibility of the Applicant to provide 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.

For more information on how to apply for the CDBG-DR Housing Counseling Program, location(s) and contact(s) of our Counseling Agencies, visit <https://www.cdbg-dr.pr.gov/en/housing-counseling/> (English) or <https://www.cdbg-dr.pr.gov/asesoria-de-vivienda/> (Spanish). The CDBG-DR Homebuyer Education Course under this Program is free of charge for eligible Applicants.

## 10 Lending Process

### 10.1 Participating Lending Institutions

PRHFA administers the HBA Program in coordination with the Applicant's selected lending institution.

Through outreach initiatives such as meetings with the Puerto Rico Mortgage Bankers' Association, facilitating information sessions, publishing tailored content, and other outreach initiatives, the PRHFA will inform and engage lending institutions on the Program Guidelines and requirements, as well as how to become a participating lender.

To qualify as a participating lending institution, the financial and mortgage institutions must be approved by the Office of the Commissioner of Financial Institutions (**OCIF**, as its Spanish acronym), National Credit Union Administration (**NCUA**) and the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico (**COSSEC**, as its Spanish acronym) to carry out mortgage business in Puerto Rico. To originate subsidized loans under the Program, the lending institutions they must first execute a Memorandum of Understanding (**MOU**) with the PRHFA and agree to comply with these Program Guidelines and all applicable federal, state, and local laws and regulations.

Interested lending institutions may submit a request to PRHFA. Contact information will be part of the PRHFA Outreach initiatives.

Upon issuance of an Eligibility Notice, the Applicant may proceed with securing a mortgage loan from a participating lender. In collaboration with PRDOH, PRHFA will publish and regularly update the list of participating lending institutions found on the entities websites.

The lending institution shall guide the Applicant through the mortgage selection process and loan underwriting. 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:

- FHA/USDA/VA Guaranteed Loans (Ginnie Mae)
- Fannie Mae/Freddie Mac approved loans
- Conventional non-conforming loans

Mortgage loan products applied for by Applicants seeking assistance from the Program must meet the above requirements.

The following risky loan features are not allowable under the HBA Program: 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 structure infringes upon the HBA Program's overall purpose or serves to unjustly enrich an individual or institution.

For more information, visit <https://cdbg-dr.pr.gov/en/homebuyer-assistance-program/> (English) and <https://cdbg-dr.pr.gov/programa-de-asistencia-directa-al-comprador/> (Spanish).

## 10.2 Participating Lending Institution Criteria

Lending Institutions are critical to the program's success. To qualify as a participating lending institution, the financial and mortgage 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**) whereby the Lending 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 Program and ensure that mortgage officers are trained to use the System for Subsidy Program (SSP) and understand the underwriting requirements outlined in these Program Guidelines.

For more information on how to become a participating lending institution, please send an email to [hba-lenderassistance@afv.pr.gov](mailto:hba-lenderassistance@afv.pr.gov).

### 10.2.1 Anti-predatory Lending

PRHFA does not condone unscrupulous actions carried out by a lending institution to entice, induce and/or assist a borrower in taking a mortgage that carries a high interest rate and fees or place the borrower in a lower credit rated loan to the benefit of the lender. Participating lending institutions must agree to abide by PRHFA's anti-predatory lending policies outlined in the MOU. ~~These include, but are not limited to the following:~~

- ~~• No adjustable rate mortgages;~~
- ~~• No excessive fees. Mortgage Lender's fees must not exceed **one percent (1%)** origination and **one percent (1%)** processing and administrative fees therefore lender fees are restricted to no more than **two percent (2%)** of the loan amount;~~
- ~~• Buyer is required to pay the owner's title insurance policy. Exceptions will be granted on an as needed basis at PRHFA's sole discretion;~~
- ~~• No balloon loans;~~
- ~~• No prepayment penalty that requires the borrower to pay a steep fee before refinancing (if applicable); and~~

- ~~Interest Market Rate to be used as per financial institutions credit policy.~~

~~Mortgage loan products applied for by Applicants seeking assistance from the Program must meet the above requirements.~~

## 11 Underwriting Review

The underwriting review is performed by PRHFA after the Lending Institution has completed its preliminary loan underwriting prior to committing funds to an Applicant. To facilitate the underwriting review, the PRHFA Underwriter will perform the CDBG-DR assistance underwriting in accordance with these Guidelines and Program Documents.

The PRHFA will first review the mortgage loan and ensure that the loan type is eligible; and that the loan features comply with the Ability-to-Repay/Qualified Mortgage Rule (ATR/QM Rule) which requires a creditor to make a reasonably good faith determination of a consumer's ability to repay a residential mortgage loan according to the terms of the loan product. The ATR/QM Rule further defines categories of "qualified mortgage" loans and corresponding liability protections.

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

~~As part of the cost reasonableness review, PRHFA will determine the amount that the household requires to be able to afford homeownership and use the following criteria:~~

- ~~The first mortgage amount is reasonable under current lending standards;~~
- ~~The CDBG-DR assistance amount is adequate to make homeownership affordable and is not an excessive subsidy based on Duplication of Benefits (DOB) review, which is detailed further in the DOB Review section of these Guidelines;~~
- ~~The required homebuyer down payment amount is reasonable based on total mortgage amount; and~~
- ~~Closing costs are reasonable and do not exceed **seven percent (7%) five percent (%)** of the primary loan amount. In the event, the closing cost exceed **six percent (6%) five percent (5%)**, the Applicant must cover the amount in excess.~~

~~Also, the PRHFA will assess the sustainability of the CDBG-DR grant against the following criteria:~~

- ~~The primary mortgage is fixed rate and long term; and~~
- ~~Projected taxes and insurance are reasonable; and~~
- ~~A duly licensed Professional Engineer (PE) or Registered Architect (RA) in Puerto Rico must provide certification that the property contains no physical conditions~~

~~that can be expected to cause unusual maintenance expenses in the next **five (5) years.**~~

~~Pursuant to Federal Register Volume 83, Issue 157 (August 14, 2018) 83 FR 40314, cost reasonableness is described as the price that a prudent businessperson would pay for an item or service under competitive market conditions, given a reasonable knowledge of the marketplace. Further, the Program shall assure that all costs are reasonable in accordance with the Cost Principles outlined in the CDBG-DR Cross-Cutting Guidelines, found at <https://cdbg-dr.pr.gov/en/resources/policies/general-policies/> (English) and <https://cdbg-dr.pr.gov/recursos/politicas/politicas-generales/> (Spanish).~~

~~The Program will maintain its written procedures and consistent processes for evaluating the long-term financial sustainability of transactions assisted with CDBG-DR funds.~~

### 11.1 Maximum Grant Limits

The Program will award:

- ~~• a maximum of **twenty-five thousand dollars (\$25,000)** per eligible LMI or Urgent Need households, and~~
- ~~• a maximum of **thirty-five thousand dollars (\$35,000)** per eligible LMI or Urgent Need households with a documented CRW household member.~~

~~An additional redevelopment incentive of up to five thousand dollars (**\$5,000.00**) will be available to eligible households who elect to purchase a home in a designated urban center, as determined by PRDOH.~~

### 11.2 Appraisal

To assure that the purchase price is reasonable, the PRHFA will rely on a full appraisal commissioned by the lending institution. The purchase price must not exceed the current FHA mortgage limits<sup>7</sup> and the value stated in the Appraisal.

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.*, 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;

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<sup>7</sup> See: <https://entp.hud.gov/idapp/html/hicostlook.cfm>.

- 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;
- 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;
- The property's location coordinates, in latitude and longitude, to a minimum of six decimal points.
- 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 or the current FHA mortgage limits and/or the value stated in the Appraisal. Fees and costs must be aligned with prevailing market prices.

### 11.3 Down Payment Assistance

The Program will cover **one hundred percent (100%)** of the down payment required by the lending institution for the purchase on behalf of LMI and UN homebuyers.

~~In the case of down payment, assistance may be provided in order to lower the front-end ratio of the Applicant to **twenty percent (20%)**. In the discretion of PRHFA, additional assistance may be provided based on the need of the Applicant. In any case, the assistance provided by the Program to an Applicant will not exceed the corresponding maximum award.~~

### 11.4 Mortgage Subsidy Assistance

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

This subsidy makes homeownership more affordable and reduces the risk of foreclosure by lowering the interest rate and monthly payment, and, in the case of conventional loans, eliminating the requirement for mortgage insurance. Further, this subsidy lessens the barrier to accessing homeownership for UN homebuyers by lowering their closing costs. The PRHFA Underwriter will assess the Borrower's ability to pay the monthly mortgage carrying costs and the long-term financial viability of the purchase. The Underwriter will evaluate the Borrower's back-end ratio and will calculate the subsidy amount required to lower it as close to **thirty-six percent (36%)**.

## 11.5 Closing Costs

PRHFA will review and evaluate all CDBG-DR eligible prepaids and closing costs to ensure that they are necessary and cost reasonable.

The Program will provide a variable amount of down payment, eligible prepaids and closing cost assistance based on the underwritten gap between the approved mortgage and purchase price not to exceed the grant limit. The closing costs should not exceed **five percent (5%)** of the primary loan amount.

In the event that closing costs exceed **six percent (6%) five percent (5%)**, the Applicant will be required to pay the amount in excess of this cap. Total eligible prepaids and closing costs, under no circumstances, may exceed **seven percent (7%) six percent (6%)**.

The allowable caps for closing costs will be:

- Up to **two percent (2%) one percent (1%)** for origination and discount.
- **Point five percent (.5%) of one percent (1%)** for fees in the deed of sale (if paid by the buyer).
- **Point five percent (.5%) of one percent (1%)** for fees in the mortgage deed (**first lien**).
- **One percent (1%)** for fees in writing restrictive conditions (**second lien**).
- Up to **\$250** for the Housing Quality Standard (**HQS**) inspection and **\$125** for **HQS** re-inspection.

The Program may cover reasonable and customary closing costs, 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 any other similar costs for LMI homebuyers.

Closing costs are regulated by the Consumer Financial Protection Bureau (CFPB). Closing Disclosure outlines the charges and fees that a Borrower will be required to pay as part of the closing process, these costs either have no tolerance for change, or ten percent (10%) tolerance. Normally, these costs range from between three to six percent (3-6%) of the purchase price.

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

## 12 Duplication of Benefits (DOB) Review

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 as to 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 prior to awarding assistance.

The DOB review performed by PRHFA assures that federal resources are neither duplicated nor wasted when applied to the provision of homeownership assistance.

To ensure that the Program does not provide a duplication of benefits, PRHFA will adhere to the following process:

1. Identify the Applicant's total need;
2. Identify total assistance available;
3. Identify the Amount to Exclude as Non-Duplicative (Amounts used for a different purpose, or same purpose, different allowable use);
4. Identify Total DOB Amount (Total Assistance Minus Non-Duplicative Exclusions);
5. Calculate Maximum Award (Total Need Minus Total DOB Amount); and
6. Final Award (Program Cap = Final Award if Maximum Award is equal to or greater than the Program Cap).

## 12.1 Assistance Considered a DOB

Because the HBA Program requires eligible Applicants to not be homeowners at the time of application, it is expected that most Applicants will not have received any benefits from other sources for the purposes of home rehabilitation or replacement. Nonetheless, the Program will perform the due diligence of a DOB review and ensure that program beneficiaries do not receive assistance that is duplicative, unnecessary, or unreasonable.

In cases where an Applicant has previously received FEMA, SBA, and/or any other funds for the purpose of using them to purchase real estate, those funds will be considered as a DOB under this Program. These funds will be deducted from the total unmet need determination as part of the underwriting review.

The following are sources of assistance that may have been provided to Applicants and are considered duplication of benefits.

### 12.1.1 FEMA Individual Assistance (FEMA IA)

Federal Emergency Management Administration Individual Assistance (**FEMA IA**) will be determined and verified by PRHFA through the FEMA database. If PRHFA is unable to verify the FEMA IA amount through the FEMA database, PRHFA will use the payment amount provided by the Applicant at the time of application. If an Applicant is able to provide documentation demonstrating that the FEMA IA amount provided by the FEMA database includes amounts not paid to cover structural loss, PRHFA will use the



documentation provided by the Applicant to adjust the FEMA IA amount considered in the DOB analysis. The documentation provided by the Applicant must come from FEMA.

#### 12.1.2 FEMA National Flood Insurance Program (NFIP)

PRHFA will check all Applicants for NFIP to verify whether they maintained flood insurance. Any payments for loss to the dwellings under NFIP insurance policies are deducted from the amount the Applicant is eligible to receive. Payments for contents or other expenses are not deducted from the Applicant's award.

The payment to Applicants under NFIP policies will be determined and verified by PRHFA through the FEMA database and cross referenced with PRDOH CDBG-DR data. If PRHFA is unable to verify the NFIP insurance proceeds through the NFIP database, PRHFA will use documentation supplied by the Applicant. If an Applicant is able to provide documentation demonstrating that the insurance proceeds amount provided by the FEMA database includes items not covered in the home evaluation or not paid to cover structural loss, PRHFA will use the documentation provided by the Applicant to adjust the insurance payout considered in the DOB analysis. The documentation provided by the Applicant must come from the insurance company which issued the payments.

#### 12.1.3 Private Insurance

All private insurance settlement amounts for loss of dwellings are deducted from the Applicant's award.

#### 12.1.4 Other Sources of Duplication of Benefits

Following a disaster, charitable organizations provide many kinds of contributions, including donations, grants, or loans among other types of assistance. Grants and cash donations designated for specific eligible work, even when provided from non-Federal sources, but designated for the same purpose as Federal disaster funds generally are considered a duplication of benefit. Grants and cash donations received for unspecified purposes (e.g., "for disaster recovery/relief efforts"), or for work not eligible for federal assistance, do not constitute a duplication of benefits.

#### 12.1.5 DOB Review

PRHFA will review each application to determine if previous applicable funding awarded or gifted to the applicant was received for the same purpose. The Applicant must have an unmet need to move forward in the Program. The PRHFA will determine the Applicant's total unmet needs first and then calculate the Applicant's DOB. Applicants must provide documentation of insurance, FEMA, Small Business Administration (SBA), and any other type of funding received. Additionally, the PRHFA will verify that the submitted documentation is accurate and current at the time of the award, to the extent possible.

PRHFA will ensure compliance with the Stafford Act through collection, analysis, and verification of third-party benefits received by Applicants for purposes of homeownership assistance. Any sources of funds previously received for the same purpose will be deducted based on information obtained from SBA, FEMA, and/or in-kind assistance used for the same purpose that the CDBG-DR award is intended to assist. The award amount will be determined by collection of applicable documentation. That amount will be reduced by all previously received funding to determine the final award. Any amounts that are determined to be allowable activities will not be included in the reduction of the final award. Allowable activities will include activities that are excludable from the DOB calculation per the Stafford Act and HUD guidance.

The Applicant must repay any assistance later received for the same purpose as those awarded or provided for with CDBG-DR funds. The Applicant is obligated to certify he or she understands this requirement as outlined in detail within the subrogation terms included in the Acknowledgment and Consent Form.

To comply with these requirements, the PRHFA or its authorized representative, will enter the Applicant's information into the DOB database to determine whether the Applicant received additional financial funds and ensure that any funds determined to be DOB are deducted from the final assistance award amount for each Applicant through eligible Program activities. Regarding charity or in-kind assistance, PRHFA requires full disclosure from the Applicant during the loan underwriting process and will review the lending documentation to ensure that duplicative assistance is accounted for in the unmet need calculation.

You may access the CDBG-DR Duplication of Benefits Policy and all CDBG-DR General Policies at <https://cdbg-dr.pr.gov/en/download/duplication-of-benefits-policy/> (English) or <https://cdbg-dr.pr.gov/download/politica-sobre-la-duplicacion-de-beneficios/> (Spanish).

### **13 Property Eligibility Review**

Only single-family residential units located in Puerto Rico will be eligible for the Program. For the purposes of this Program, 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;

Ineligible property types include but are not limited to travel trailers, campers, and houseboats, investment properties, multi-family buildings, second units, or other forms of ownership when the homebuyer does not have an individual deed to the property.

Homebuyers who select properties that do not pass the property eligibility review will have the option to pursue an alternate property that meets the Program's requirements. In the case that the Homebuyer opts to not select a property that meets the Program's requirements then the Program will not be able to commit any CDBG-DR funds to the homebuyer.

PRDOH will initiate the property eligibility review process upon submission of the appraisal by the Applicant's lending institution.

### 13.1 Property Requirements

The following property requirements must be adhered to for a property to be determined eligible to commit CDBG-DR funding to the Applicant:

- The property must be able to be acquired through a valid deed, free and clear of any lien and encumbrance that may affect the PRDOH's rights over the property under the Deed of Mortgage and Restrictive Conditions;
- The property must be classified vacant or ready to be sold by owner at contract signing;
- The property must not be occupied by tenants at moment of contract signing;
- 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");
- The property must have no substantial adverse environmental factors as determined by an environmental review;
- Property must not be located in a Special Flood Hazard Area (SFHA) or a designated Coastal Barrier Resource Area; and
- 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.

### 13.2 Rehabilitated Properties

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

- The program funds will not be used towards repairs;
- Repairs and improvements are covered under the Applicant's mortgage;
- Repairs and improvements are limited to those identified in the property's Appraisal Report; and

- Required improvements are nonstructural in nature and do not exceed **thirty-five thousand dollars (\$35,000)**.

PRHFA's underwriting and award determination will be based on the appraised value of the property at closing without the completion of any rehabilitation activities.

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

### 13.3 Property Standards Requirement

Properties must be safe, decent and sanitary. The Lending Institution shall ensure that the property is inspected and/or appraised in accordance with the requirements of the primary loan issuer (i.e. Fannie May, USDA-RD, Fair Housing Administration (FHA), and Veteran Affairs (VA)). ~~The lender will also ensure that each applicant is informed the property must meet HUD Housing Quality Standards (HQS) and provide any documentation of such to PRHFA.~~

### 13.4 Redevelopment Incentive Determination

Applicants whose properties are certified by PRDOH as being in a designated Urban Center will receive up to an additional **five thousand dollars (\$5,000)** to be used towards the purchase price.

For homebuyers whose combined down payment assistance, mortgage subsidy, and closing costs exceeds the program caps, funding priority will be given towards the down payment and closing costs. The remainder of the funding amount may be applied towards the mortgage principal amount.

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

## 14 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. § 58. Therefore, an environmental review process is required for all awards to be issued under the Program to ensure that the proposed activities do not negatively impact the surrounding environment and that the property itself will not have an adverse environmental or health effect on end users. 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 that were incurred before completion of the environmental review.

All Program awards must have documentation that they follow 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 negative impacts; 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.

Environmental reviews will be conducted by PRDOH and their authorized representatives as part of the property eligibility reviews. Environmental reviews shall be completed prior to determining the CDBG-DR award to be offered to an eligible Applicant.

#### **14.1 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 major classifications of environmental review for projects:

- **Exempt Activities:** Those activities which are highly unlikely to have any direct impact on the environment.
- **Categorically Excluded Activities:** Those activities that may have an impact to 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 require 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 those 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 National Environmental Policy Act analysis. This environmental assessment requires publishing a Notice of Intent to Request Release of Funds as well as a Finding of No Significant Impact (assuming such is found).
- **Environmental Impact Statement:** Those 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.

## 14.2 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 buy downs, and similar activities that result in the transfer of a title and will require a Categorically Excluded (Not Subject to 58.5) (**CENST**) Environment Review. The environmental review for any activity in this Program will require a formal determination (including preparing a CENST review and inclusion into 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 Responsible Entity, is charged with the responsibility of approving all CENSTs.

### 14.2.1 Special Flood Hazard Area

In accordance with the PRDOH Disaster Recovery Action Plan and these Guidelines, if the property is determined to be in a Special Flood Hazard Area, the property will not qualify for CDBG-DR assistance.

### 14.2.2 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 serve as a habitat for aquatic species. In compliance with the Act, if the property is determined

to be located within a Coastal Barrier Resources Area, the property will not qualify for CDBG-DR assistance.

#### 14.2.3 Runway Protection Zone or Clear Zone

In case that a property is determined to be in a runway protection zone or clear zone, PRDOH, as the Responsible Entity, must inform the buyer of the implications of such location and that there is a possibility that the property, may at a later date, be acquired by the airport operator. The buyer must sign an acknowledgement statement understanding the implications of such purchase.

### 14.3 Lead Hazard Assessment

All **pre-1978** built properties acquired through this Program must be compliant with the provisions for lead reduction found at 24 C.F.R. Part 35. The PRHFA will validate the date of construction from the appraisal documents and provide disclosure of Lead Based Paint Hazard which will include the following:

1. Provision of an Environmental Protection Agency (**EPA**)-approved information pamphlet on identifying and controlling lead-based paint hazards.
2. Disclose any information regarding lead-based paint to the buyer (identifying that the house is pre-1978 and is presumed to have lead-based paint is acceptable)
3. If requested by the Buyer, Sellers must provide homebuyers a **ten (10) day period** to conduct a paint inspection or risk assessment. Homebuyers may waive this inspection opportunity.

~~The lead hazard assessment will be conducted as part of the required on-site Housing Quality Standard (HQS) inspection.~~ If HUD lead-based paint requirements are not met, these properties will not be eligible to qualify for homebuyer assistance due to time and cost that would be needed to reduce the lead paint hazard.

## 15 Award Process Determination

Upon determination of the property's eligibility and the award amount, PRHFA will issue a Commitment Letter to the Applicant(s) and forward a copy of the letter to the Lender. The final award shall be determined by PRHFA's underwriting criteria and, barring extraneous circumstances, will be limited to the minimum amount necessary to qualify for the mortgage loan needed to purchase the Primary Residence.

PRHFA will reserve CDBG-DR funds for **sixty (60) days**, unless causes beyond the control and without fault of negligence of the Lender or Applicant occur. The funding reservation begins the day that PRHFA issues the Commitment Letter to the Lender.

PRHFA shall submit a Disbursement Request to PRDOH prior to the scheduled closing to ensure that the funds are available at the time of closing. The CDBG-DR funds shall be expended within **ten (10) business days** of receipt from PRDOH.

### 15.1 Reservation of Funds

Upon finalizing the underwriting process and securing the first mortgage, the Lending Institution will ensure that complete Applicant documentation, the property Appraisal, and a signed preliminary Closing Disclosure has been submitted through PRHFA's System of Subsidy Program (**SSP**). The PRHFA will review the underwriting process and ensure that all the information and documentation that is registered in the system is correct. When all the information and documentation is registered in the system as completed, the Lending Institution will submit a request for funds in SSP. The Lending Institution will have **five (5) calendar days** from the reservation date to send the following documents to the PRHFA; but not limited to:

#### Primary Residence Information:

- Purchase and Sale Agreement that indicates the sales price of the property
- Appraisal report
- Inspection report (if applicable)
- Asbestos survey (if applicable)

#### Transaction Details:

- Form 1008 Uniform Underwriting and Transmittal Summary (signed by the underwriter)
- Copy of preliminary Closing Disclosure sign by the underwriter or any authorized official.

#### Other Required Information:

- Valid Homebuyer Education Certificate (if less than six (6) months)
- Signed Conflict of Interest Form)
- Any other document that PRHFA may deem necessary

The following documents (not limited to) must be submitted with the request to the PRHFA:

- 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's (All household members)
- Birth Certificate, Legal Documentation of Adoption or Guardianship (All household members 17 years, or younger)
- Puerto Rico Income Tax Return Form (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) (if applicable)
- Child Support Documentation (if applicable)
- Divorce Decree (if applicable)
- ~~Homebuyer Education Certificate (For Applicant and must be less than one (1) year old)~~
- Form 1003 Uniform Residential Loan Application (URLA)
- HBA Program Application
- Applicant acknowledgment and consent
- Conflict of Interest Form
- Copy of preliminary closing disclosure
- Form 1008 Uniform Underwriting and Transmittal Summary (signed by the underwriter)
- Sales Agreement that indicates the sales price of the property subject to the agreement
- Copy of Appraisal
- Copy of Inspection Report
- Certifications required to be able to do the environmental review
- Urban center certification issued by PRDOH of the property (if applicable)
- ~~HUD Housing Quality Standards (HQS) inspection~~
- Asbestos Survey (if applicable structures built before 1978)
- Duplication of Benefits (DOB) certification
- Any other document the PRHFA may deem necessary (if applicable)

## 15.2 Grant Terms and Conditions

### 15.2.1 Primary Residence Requirement

The property must be occupied as the principal residence by the Applicant (now **Borrower**) throughout the **five (5) year** affordability period commencing on the date the **Second Direct Mortgage Deed** and Restrictive **Conditions** is executed. A Second Lien will be obtained to secure the Borrower's compliance with the affordability period and all other HBA requirements as outlined in these Guidelines. Under the affordability period compliance requirements, there is no change allowed in use and/or occupancy and the Borrower must comply with all HBA requirements.

During the affordability period, the Borrower may not rent, sell, donate, exchange or otherwise dispose of the property without the prior written consent of PRHFA. Should a change in ownership (including foreclosure) occur during the affordability period, then the Borrower will be subject to the Program’s requirements on recapture. However, if the Borrower occupies the property as their principal residence for the entire affordability period, no recapture requirements will apply.

### 15.2.2 Affordability Period and Recapture Requirements

The CDBG-DR award will be secured in a Second **Direct Mortgage Deed** and is forgiven on an amortized basis over an affordability period of **five (5) years**.

Affordability period refers to the required number of years the property must be the Borrower’s primary residence. A Borrower must occupy the property as their primary residence for a minimum of **five (5) years**. The affordability period shall commence on the date of the closing when **the Second Direct Mortgage Deed and Restrictive Conditions** is executed. If the Borrower violates the terms and conditions of the Second Lien, PRHFA has the right to recapture the entire amount or a portion of the grant. The balance of the grant is forgiven or reduced at a rate of **twenty percent (20%)** for each completed year of residency, with no credit given for partial years completed.

**Table 1: Forgiveness Rate per Affordability Period**

<b>Affordability Period</b>	<b>Forgiveness Rate per Year</b>
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 forgiveness rate per year during the affordability period. PRHFA, at its discretion, may accept a reduced recapture or forgive an event of default for cases beyond the Borrower’s control, including but not limited to, a natural disaster, death in the family, or job relocation.

### 15.2.3 Transfer of Ownership

Selling the home during the affordability period is considered a default on the terms and conditions of the affordability period.

### 15.2.4 Leasing

The Borrower may not lease the property or use it for any other use other than as a primary residence. The PRHFA may evaluate requests for exceptions on a case-by-case basis.

### 15.2.5 Refinance First Mortgage

In the case that the first mortgage is refinanced, the Borrower will not have to reimburse the PRHFA for the grant, unless the affordability covenant were removed during refinance.

### 15.2.6 Exceptions for Extenuating Circumstances

PRHFA may make exceptions to Borrowers in Default due to one or more of the following hardships:

- A loss or reduction in income that was supporting the first mortgage;
- A change in household financial circumstances;
- Death of a co-Borrower;
- Long-term/permanent illness or disability of a Borrower or dependent Family Member;
- Divorce or legal separation of a Borrower; 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.

### 15.2.7 Required Documentation

The Borrower must provide PRHFA with evidence of the Borrower's hardship(s) in order to request an exception. PRHFA may require additional financial documentation from the Borrower's Lender to support the identified hardship(s).

## 16 Program Income

~~Any and all collection of payments for CDBG-DR funds shall be considered Program Income and maintained by PRHFA under the direction of PRDOH. These are to include administrative fees, penalties, and grant repayments as a result of program non-compliance.~~

Any program income earned as a result of program-funded activities will be subject to the rules outlined in Federal Register Notice 83 FR 5844. Grant repayments, as a result of program noncompliance, 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, in accordance with 83 FR 5844. PRHFA will establish an independent, no-interest bearing account for Program Income received from the Program. Program Income activity shall be reported to PRDOH.

Program Income does not include any operating income generated by the project after any loans funded through CDBG-DR funds are repaid, and the Project is occupied.

## 17 Closing Process

The closing date is defined as the moment in which the ownership of the selected property is transferred to the Borrower by means of a Second Direct Mortgage Deed and Restrictive Conditions and is registered in the SSP. The Lending Institution will receive the Program funds on the closing date.

### 17.1 Funding Disbursement

The Lending Institution will have to submit signed invoice of cases scheduled to close along with the preliminary Closing Disclosure signed by the loan underwriter or authorized official, within **seven (7) business days** of the closing date. The Lending Institution will have **two (2) business days** after closing to record the closing in the SSP and submit email certifying cases not closed. If the Lending Institution is not able to record the closing in the SSP due to technical difficulties or other extenuating circumstances, the Lending Institution may request an extension in writing to PRHFA. If the closing is not registered in the SSP within the period established, the Lending Institution will receive a request to return the funds to PRHFA. PRHFA reserves the right to take any measure required to close the cases and make determinations concerning time extensions.

PRHFA will evaluate time extension requests for cases with extenuating circumstances, such as: the seller or borrower were not available for the scheduled closing, the closing funds were not transferred in time for the scheduled closing, unforeseen legal issues, and other related issues.

Once the closing is registered in the SSP, the Lending Institution must submit on or before **thirty (30)** business days the following documents to PRHFA:

- Final Uniform Residential Loan Application (**URLA**) signed by the applicant and co-applicant (if applicable);
- Signed Closing Disclosure;
- Certified copy of the Second Direct Mortgage Deed and Restrictive Conditions incorporated detailing the affordability period terms and conditions;
- Copy of the minute of presentation of the Second Direct Mortgage Deed and Restrictive Conditions or the printed page of the official page of the Puerto Rico Property Registry (Registro de la Propiedad) where the information appears that the deed is 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 information appears that the deed is duly presented;
- Final, form 1008 Uniform Underwriting and Transmittal Summary
- Any other pertinent documents requested by PRHFA.

The PRHFA will verify that the aforementioned documents align with the proposed transaction and are registered in the SSP. Lending Institutions may request additional

time beyond the **thirty (30) days**, if just cause is provided to PRHFA. ~~PRHFA will work with the Borrower's Lending Institution to ensure the availability and transfer of the CDBG-DR award.~~

#### 17.1.1 Second Direct Mortgage

The CDBG-DR assistance will be secured with a **Second Direct Mortgage Deed** on the property for the amount of the grant through a **Restrictive Condition** for a **five (5) year** affordability period. At the end of the term of the affordability period, the lien will be released in favor of the Borrower.

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

When there is an FHA-insured lien 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-DR program restrictions on the property shall terminate upon foreclosure, transfer in lieu of foreclosure or assignment of an FHA insured mortgage to HUD. 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".

## 17.2 Monitoring and Close-out

As part of the terms and conditions to receive CDBG-DR funds, the Borrower must agree to occupy such residence as the principal place of residency throughout the affordability period.

PRHFA ~~will~~ may verify residency on an annual basis by sending a certified letter with a return receipt to the Borrower. The letter requires the Borrower to return to PRHFA at the provided address a signed certification stating that the residence continues to be their primary place of residence and to confirm occupancy, the following documentation can be presented to establish occupancy:

1. Copy of electric, gas, or water bill. The bill must confirm that service was provided to the purchased property during the current billing period;
2. Property tax bill transmittal letter showing the address of the purchased property to which it was mailed; or
3. Cover page of the homeowner's hazard insurance policy showing that the purchased property is covered by the policy;

Other qualified documents may be presented to PRHFA for consideration of proof of occupancy. If Applicants need additional assistance obtaining documents, they may be referred to a local agency.

Following closing, PRHFA ~~will~~ may conduct the following actions:

- An annual certified letter will be mailed to the new homebuyer(s) that will provide for compliance to the Second Lien that the property is currently their primary residence;
- If the annual certified letter is not received within **thirty (30) days** a second request letter will be mailed;
- If the second request letter is not received within **thirty (30) days** a final letter will be hand delivered by a representative of PRHFA; and
- If the final letter is not executed and received within **thirty (30) days**, the Borrower's information of non-compliance will be referred to the PRHFA's legal office for possible legal action.

## 18 Affirmative Marketing & Fair Housing

The PRHFA and PRDOH shall ensure that no person shall on the ground of race, color, national origin, religion, sex, sexual orientation, age, familial status, or disability be excluded from participation in, be denied the benefits of, or be subjected to discrimination by the CDBG Disaster Recovery Program.<sup>8</sup> The Puerto Rico Housing Finance Authority, as the designated Subrecipient, holds the main 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 that target audience receives adequate information;
5. Proposing modifications to reflect changing environments based on the Program's needs.

Activities include, but are not limited to:

- Publish programmatic information as necessary (e.g. Program Guidelines, training material, outreach material, etc.);
- Provide PRDOH with required documentation and information as specified in 83 FR 5844 for posting on PRDOH Disaster Recovery Website <https://www.cdbg-dr.pr.gov/en/> (English) and <https://www.cdbg-dr.pr.gov/>
- Provision of non-essential information (when requested) such as bulletins, newsletters, or marketing materials for publication on PRDOH Disaster Recovery Website; and

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<sup>8</sup> 24 C.F.R. sec. 504; See also Basically CDBG (November 2007) 19-9 HUD, Office of Block Grant Assistance. <https://www.hud.gov/sites/documents/CDBGCHAPTER19.PDF>

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

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

PRDOH and PRHFA, as the subrecipient of PRDOH responsible for the administration of the HBA Program, will take measures to affirmatively market and ensure accessibility to the HBA Program, as follows:

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

The HBA Program information will be readily available and maintained on <https://cdbg-dr.pr.gov/en/homebuyer-assistance-program/> (English) and <https://cdbg-dr.pr.gov/programa-de-asistencia-directa-al-comprador/> (Spanish). The information will be published in common languages predominately used in the service areas.

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

- PRHFA will advertise with media outlets which provide unique access for persons who are 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 in completing an application.
- Language interpretation services will be provided upon request.

## 19 Monitoring

HUD requires PRDOH, as the 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 but is rather an ongoing process that assesses the quality of CDBG-DR funded program performance over the life of the Subrecipient Agreement and involves continuous communication and evaluation. To meet this requirement, PRHFA will provide PRDOH a Monthly Progress Report on the implementation of the Program on a monthly basis.

PRHFA will report to PRDOH as stipulated in each CDBG-DR Agreement. All information reported will be available, as part of PRDOH's Quarterly Performance Reports (**QPRs**), at [www.cdbg-dr.pr.gov/en/reporting/](http://www.cdbg-dr.pr.gov/en/reporting/) (English) and <https://cdbg-dr.pr.gov/reportes/> (Spanish).

## 20 Program-Based Reconsideration and/or Administrative Review

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

### 20.1 Program-based Reconsideration Request

Applicants who wish to contest a Program determination may file a Program-based Reconsideration Request directly with the Program by submitting a written Request, via electronic or postal mail, within **twenty (20) calendar days** from the date a copy of the notice was filed in the record of the agency. Provided, that if the date on which the copy of the notice is filed in the records of the agency differs from the mailing date of said notice (postal or electronic), the aforementioned **twenty (20) calendar day-term** shall be calculated from the mailing date (postal or electronic). Notices distributed via electronic communication shall be considered valid. In the event that a notification is sent via postal and electronic mail, the notification date will be the one sent beforehand.

Applicants who file a Program-based Reconsideration Request are encouraged to provide individual facts or circumstances, as well as 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 upon 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 Reconsideration Request Approved or a Reconsideration Request Denied notification.

Filing a Program-based Reconsideration Request does not substitute, negate, or preclude any legal right that 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 Number 4953, of August 19, 1993, which regulates the Formal Adjudication Process for the PRDOH and its Adjunct Agencies (Regulation 4953).<sup>9</sup>

## **20.2 Administrative Review Request**

If an Applicant disagrees with a Program determination, or with the Reconsideration Request Denial determination, said party may file directly to PRDOH, as grantee, an Administrative Review Request in accordance with the aforementioned Regulation 4953. The Applicant must submit such request, in writing, within **twenty (20) calendar days** from the date a copy of the Program determination or a Reconsideration Request Denial determination notice was filed in the record of the agency. Provided, that if the date on which the copy of the notice is filed in the records of the agency differs from the mailing date (postal or electronic) of said notice, the aforementioned **twenty (20) calendar day-term** shall be calculated from the mailing date (postal or electronic). Notices distributed via electronic communication shall be considered valid. In the event that a notification is sent via postal and electronic mail, the notification date will be the one sent beforehand.-Submit request via e-mail to: [LegalCDBG@vivienda.pr.gov](mailto:LegalCDBG@vivienda.pr.gov); via postal mail to: CDBG-DR Legal Division, P.O. Box 21365, San Juan, PR 00928-1365; or in person at PRDOH's Headquarters at: CDBG-DR Legal Division, 606 Barbosa Avenue, Juan C. Cordero Davila 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, said party may file a Judicial Review petition before the Court of Appeals of Puerto Rico within **thirty (30) days** after a copy of the notice has been filed. See Act No. 201-2003, as amended, known as the Judiciary Act of the Commonwealth of Puerto Rico of 2003, 4 L.P.R.A. § 24 *et seq.*, and section 4.2 of Act 38-2017, as amended, known as the

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<sup>9</sup> For more details, you can access Regulation 4953 (in Spanish) at: <https://www.vivienda.pr.gov/wp-content/uploads/2015/09/4953-Reglamenta-los-procedimientos-de-adjudicacion-formal.pdf>

Uniform Administrative Procedures Act of the Government of Puerto Rico, 3 L.P.R.A. § 9672.

## **21 General Provisions**

### **21.1 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 implementation and closeout and should not be construed as exhaustive instructions. All Program activities must comply with the policies hereby stated. 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, the PRDOH reserves the faculty to authorize, in 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 on a case-by-case basis in compliance with local, state and federal requirements. PRDOH is in no way obligated to grant the Program benefits in said cases.

### **21.2 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 for the evaluation of all situations encountered in the implementation and/or continuance of the Program from the date of its issuance, that is, the date that appears on the cover of these guidelines. Each version of the program guidelines will contain a detailed version control log that outlines any substantive amendment, inclusions and/or changes.

### **21.3 Disaster Impacted Areas**

As described in the initial Action Plan, and its amendments, the Government of Puerto Rico will use CDBG-DR funds solely for necessary expenses related to disaster relief, long-term recovery, restoration of housing, infrastructure, and economic revitalization in the impacted and distressed areas in Puerto Rico as identified in disaster declaration numbers DR-4336 and 4339. Through the Federal Register Vol. 83, No. 157 (August 14, 2018), 83 FR 40314, HUD identified that, for Puerto Rico, all components of the Island are considered "most impacted and distressed" areas. Therefore, these guidelines apply to all 78 municipalities of Puerto Rico.

### **21.4 Extension of Deadlines**

The Program could extend deadlines on a case-by-case basis. The Program may decline to extend a deadline if such extension will jeopardize the Program's completion schedule

or the schedule of an individual construction project. The aforementioned strictly applies to program deadlines or established program terms. Under no circumstance(s) 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.

### **21.5 Established Periods of Time**

Unless otherwise specified, all established periods of time addressed in this and all CDBG-DR 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 L.P.R.A. Ap. V, R. 68.1.

### **21.6 Written Notifications**

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

### **21.7 Conflict of Interest**

As stated in 83 FR 5844, Federal regulations require that State grantees, in the direct Grant administration and means of carrying out eligible activities, be responsible with 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 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 and 24 C.F.R. §85.36;
2. The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. §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 L.P.R.A. § 441 *et seq.*;
4. The Anti-Corruption Code for the New Puerto Rico, Act 2-2018, as amended, 3 L.P.R.A. § 1881 *et seq.*; and
5. The Puerto Rico Government Ethics Office Organic Act, Act 1-2012, as amended, 3 L.P.R.A. § 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 funded projects, activities and/or operations. Said Policy is intended to serve as guidance for the identification of apparent, potential or actual conflicts of interest in all CDBG-DR assisted activities and/or operations. In accordance with 24 CFR § 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 person who is a public servant, employee, agent, consultant, officer, or elected official or appointed official of the PRDOH, or of any designated public agencies, or of subrecipients that are receiving funds under the CDBG-DR Program may obtain a financial or personal interest or benefit that is or could be reasonably incompatible with the public interest, either for themselves, or with those whom they have business, or an organization which employs or is about to employ any of the parties indicated herein, or a member of their family unit during their tenure or for **two (2) years** after.

Such conflicts of interests will not be tolerated by PRDOH. PRDOH, Program officials, their employees, agents and/or designees are subject to state ethic laws and regulations, including, but not limited to the **Puerto Rico Government Ethics Act of 2011, Act 1-2012**, as amended, in regard to their conduct in the administration, granting of awards and program activities.

According to the aforementioned Act, no public servant shall intervene, either directly or indirectly, in any matter in which he/she has a conflict of interests 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 result in benefit for any of the abovementioned. In the case that any of the abovementioned relationships has 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 insofar the beneficial ties with the public servant exist. Once the beneficial ties end, the public servant shall not intervene, either directly or indirectly, in such matter until **two (2) years** have elapsed.

The above conflict of interest statement does not necessarily 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 this guideline. 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 Program policies, are available at <https://www.cdbgdr.pr.gov/en/resources/policies/> (English) and <https://www.cdbgdr.pr.gov/recursos/politicas/> (Spanish).

### 21.7.1 FHA Conflict of Interest Policy

In cases where an HBA 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.

## 21.8 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 funds, including all programs funded by this grant, are welcomed.

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 8:00am-5:00pm
- **Via email at:** [infoCDBG@vivienda.pr.gov](mailto:infoCDBG@vivienda.pr.gov)
- **Online at:** <https://www.cdbg-dr.pr.gov/en/contact/> (English)  
<https://www.cdbg-dr.pr.gov/contact/> (Spanish)
- **In writing at:** Puerto Rico CDBG-DR Program  
P.O. Box 21365  
San Juan, PR 00928-1365

The Citizen Participation Plan and all CDBG-DR Program policies are available at <https://www.cdbg-dr.pr.gov/en/citizen-participation/> (English) and <https://www.cdbg-dr.pr.gov/participacion-ciudadana/> (Spanish). For more information on how to contact PRDOH, please refer to [www.cdbg-dr.pr.gov](http://www.cdbg-dr.pr.gov).

## 21.9 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 funds are welcome throughout the duration of the grant. It is PRDOH's responsibility, as grantee, to ensure that all complaints are dealt with promptly and consistently and at a minimum, to provide a timely, substantive written response to every **written** complaint within **fifteen (15) business days**, where practicable, as a CDBG grant recipient. See 24 C.F.R. § 570.486(a)(7).

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

- **Via e-mail:** [LegalCDBG@vivienda.pr.gov](mailto:LegalCDBG@vivienda.pr.gov)

- **Online at:** <https://cdbg-dr.pr.gov/en/complaints/> (English)  
<https://cdbg-dr.pr.gov/quejas/> (Spanish)
- **In writing at:** Puerto Rico CDBG-DR Program  
Attn: CDBG-DR Legal Division-Complaints  
P.O. Box 21365  
San Juan, PR 00928-1365

Although formal complaints are required to be submitted in writing, complaints may also be received verbally and by other means necessary, as applicable, when PRDOH determines that the citizen's particular circumstances do not allow the complainant to submit a written complaint. However, in these instances, PRDOH shall convert these complaints into written form. 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.<sup>10</sup>

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

### **21.10 Anti-Fraud, Waste, Abuse or Mismanagement**

PRDOH, as grantee, is committed to the responsible management of CDBG-DR funds by being a good advocate of 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 funds as well as encourages any individual who is aware or suspects any kind of conduct or activity that may be considered an act of fraud, waste, abuse, or mismanagement, regarding the CDBG-DR Program, to report such acts to the CDBG-DR 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 acts, known or suspected, of fraud, waste, abuse, or mismanagement of CDBG-DR 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,

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<sup>10</sup> Hours may vary due to COVID-19. PRDOH recommends calling ahead to prior to arrival.

beneficiary, consultant, contractor, employee, partner, provider, subrecipient, supplier, and/or vendor under the CDGB-DR Program.

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

<b>REPORT FRAUD, WASTE, ABUSE, OR MISMANAGEMENT DIRECTLY TO HUD OIG</b>	
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	<a href="mailto:HOTLINE@hudoig.gov">HOTLINE@hudoig.gov</a>
Online	<a href="https://www.hudoig.gov/hotline">https://www.hudoig.gov/hotline</a>

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

### **21.11 Related Laws and Regulations**

These guidelines make reference as to how the provisions of certain laws apply to the Program. However, other related laws may exist which are not included in these Guidelines. This does not negate or preclude the Program from applying the provisions of those laws, nor 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 in them, 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.

### **21.12 Cross-Cutting Guidelines**

Some federal and local requirements apply to all programs funded by CDBG-DR. 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 above referenced Cross-Cutting Guidelines, apply to all programs described in PRDOH's CDBG-DR Initial Action Plan and its amendments.

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

## **22 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.

## **23 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.**