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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 and following these disasters this problem has only magnified. There are decreasing levels of homeownership across the Island and a growing stock of vacant homes.

For individuals and families considering the option to return to their community or move, it is often a consideration of the ability to re-establish a firm foundation, whether to re-root themselves or seek a new opportunity elsewhere. 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 three hundred and fifty million dollars ($350,000,000) in CDBG-DR homeownership assistance funds to cover closing costs and down payments required for the first mortgage obtained from a private lender by Low-and Moderate-Income (LMI) and Urgent Need (UN) homebuyers for the purchase of a home. PRHFA and PRDOH herein, are expressly subject to and conditioned upon the ongoing availability of funds. 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 a lien on the property for the amount of the CDBG-DR assistance through a Deed of Mortgage and Restrictive Covenants for a five (5) year affordability period.¹

The PRDOH recognizes and understands that members of the Critical Recovery Workforce (CRW) are instrumental in providing public safety, emergency support, and education for school 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. In addition to the primary residency requirement, Critical Recovery Workforce members must also agree to remain in an eligible CRW profession in Puerto Rico for the term of the affordability period.

These guidelines are intended to provide an overview of the HBA Program, as well as 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 at 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.

- **Back-end Ratio:** A standard that measures a combination of an Applicant’s regular recurring monthly expenses which includes their mortgage payment, principal, interest, taxes, homeowner’s and flood insurance, and all monthly debts (i.e. credit cards, school loans, car payment, alimony, child support, etc.) based on a percentage of their gross monthly household income.

- **Borrower(s):** The person(s) that: (i) has applied, met specific requirements, and received a monetary loan from a lender; (ii) is legally responsible for repayment of the loan; and (iii) is subject to any penalties for not repaying the loan back based on the terms as described in the loan agreement, promissory note and/or deed of mortgage and comply with a five (5) year affordability period.

- **Case Manager:** The representatives from PRHFA who will work directly in the Homebuyer Assistance Program implementation, both with homebuyers and

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2 Income Limits for FY2020 can be found here: [https://www.hudexchange.info/resource/5334/cdbg-income-limits/](https://www.hudexchange.info/resource/5334/cdbg-income-limits/)
Lending Institutions during the application process and the duration of the Program.

- **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 specific time period.

- **Critical Recovery Workforce (CRW):** For purposes of this Program, refers to documented members of the Critical Recovery Workforce (CRW) including first responders, medical personnel, teachers (PreK-12), and law enforcement officials who are either LMI (below 80% AMFI) or Urgent Need (below 120% AMFI).³
  
  - Law Enforcement: Law enforcement officer employed full-time by a law enforcement agency of Puerto Rico or a unit of general local government; and, in carrying out such fulltime employment, are sworn to uphold, and make arrests for violations of, federal, state, tribal, county, township, or municipal laws.
  
  - Teachers: Employed as a full-time teacher by a Puerto Rico-accredited public school or private school that provides direct services to students in grades pre-kindergarten through 12.
  
  - Firefighter/Emergency Medical Technicians/Medical Personnel: Employed full-time as a firefighter or emergency medical technician by a fire department or emergency medical services responder unit of Puerto Rico or a unit of general local government. Employed full-time as a medical professional under definition of the Puerto Rico Department of Health.
  
- **Closing Costs:** Ordinary and reasonable costs necessary to complete the closing of a mortgage loan for Acquisition, including among other stamps and title transfer charges, title insurance, title studies, credit analysis, attorney fees.⁴

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³ The List of Documented CRW members has been expanded in Amendment 4 of the Action Plan, which is pending approval from HUD. Once HUD completes the revision and approves Amendment 4 of the Action Plan, said approved Amendment will be published in the CDBG-DR website: www.cdbg-dr.pr.gov.

⁴ Drafting and presentation of the Deed of Mortgage and Restrictive Covenants for the purposes of this Program are allowable attorney fees.
appraisal and any other similar or commonly used costs not to exceed five percent (5%) of the primary loan amount.

- **Dwelling**: means any building, structure, or portion thereof which is occupied as, or designed or intended for occupancy as, a residence by one or more families, and any vacant land which is offered for sale or lease for the construction or location thereon of any such building, structure, or portion thereof. (42 U.S.C. § 3602)

- **Duplication of Benefits (DOB)**: Financial assistance received from another source that is provided for the same purpose as CDBG-DR funds.

- **Down Payment**: The amount deemed as a necessary up-front payment towards the purchase of a home, by the principal Lending Institution of the buyer(s).

- **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 (now Borrower) 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 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:** A standard that measures an Applicant(s) expected monthly mortgage expense which may include principal, interest, taxes, homeowner(s) insurance and mortgage insurance (also known as PITI), divided by Applicant(s) gross monthly income.

- **Hazard Insurance:** Insurance coverage that protects a property owner against damage caused by earthquakes, hurricanes, fires, or other natural events.

- **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.

- **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 Income:** The anticipated gross amount of income from all sources for all adult\(^5\) family members during the upcoming twelve (12) month period in accordance with the definition of annual (gross) income at 24 C.F.R. Part 5:

- **Lending Institution(s):** Financial and mortgage institution(s) approved by the Office of the Commissioner of Financial Institutions and the Inspector of Cooperatives 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.

- **Low to Moderate Income (LMI):** Low to 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\(^6\). HUD has calculated

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\(^5\) According to the laws of PR, an adult is a person who has attained the age of majority of 21 years or is emancipated through other legal mechanisms. Art. 247 of the Puerto Rico Civil Code, as amended, 31 L.P.R.A. sec. 971.

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 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/](http://www.cdbg-dr.pr.gov/en/action-plan/) for the English version and [https://www.cdbg-dr.pr.gov/plan-de-accion/](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 Maria 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.
- **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.

- **Release of Lien:** 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 second lien on each assisted property upon the homebuyer's compliance with the affordability period and all other program requirements.

- **Second Lien:** A security document which creates and evidences a lien that is placed against the property until the affordability period is matured or satisfied by the terms of the Loan Note.

- **Special Flood Hazard Area (SFHA):** Means the term used by FEMA in the 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 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:** Contract entered between PRDOH and PRHFA to administer and implement this Program.

- **Unfair Lending Practices:** Unfair, deceptive, abusive acts and practices or unscrupulous actions carried out by a lender to entice, induce and/or assist a borrower in taking a mortgage that carries high fees, a high-interest rate, strips the Borrower of equity, or places the borrower in 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:** Households are those having incomes not more than 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 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.7

- **Prevention/Elimination of Slums or Blight** Objective: To aid in the prevention or elimination of slums or blight.

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. Qualified Applicants may be eligible to receive financial assistance in the form of a grant to be used towards a down payment on a new or existing home, including eligible prepaids and/or closing costs. Assistance amount will be limited to the amount necessary to achieve homeownership. Assistance will be provided in the form of a grant, secured with a lien on the property for the amount of the CDBG-DR assistance through a Deed of Mortgage and Restrictive Covenants, for a five (5) year affordability period.

The Program will provide grants of up to:

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7 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 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.” Currently, the HBA Program is drafting and will be sending a waiver request to allow assistance to be provided to households up to 120% of area median income as provided for in 83 FR 5844 for homeownership assistance programs.

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.
• a maximum of **twenty-five thousand dollars ($25,000)** per eligible Low and Moderate-Income and Urgent Need households; and

• a maximum of **thirty-five thousand dollars ($35,000)** 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 **$5,000** to 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 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 Applicants 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 program compliance. The following is a high-level overview of the application process:

1. Application Submission
   a. Applicants will be required to complete a Program application through a participating Lending Institution and submit all required program documentation.

2. Lending Process
   a. Applicant secures first mortgage with Lending Institution and real estate purchase process.

3. Applicant Evaluation and Eligibility Determination
   a. Verification and calculation of household income and review of citizenship status.
   b. Verification if Applicant secured first mortgage.
c. Verification of first-time homebuyer requirement.
d. Verification of submitted application and documentation.
e. Once Applicants file is complete\(^8\) and evaluation of file has been completed, PRHFA will issue an Eligibility Notice or an Adverse Eligibility Notice to the Applicant.
   1) If, Adverse Eligibility Notice is sent, the Applicant has the right to Appeal the determination if he/she believes an error has occurred, as provided herein.

4. Housing counseling
5. Lending Institution conducts property review process (i.e. inspection, appraisal, etc.).
6. Property Eligibility Determination
   a. Environmental Review
      1) 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).
      2) The property must have no substantial adverse environmental factors as determined by an environmental review.
      3) 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 and all applicable local codes.
   c. Redevelopment Incentive Determination
      1) PRDOH will review property’s location and determine and certify whether the property is located within a designated urban center.
   d. 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 lender.

\(^8\) A complete application is one for which “PRHFA has received all the information that PRHFA requires from an Applicant in evaluating applications for the HBA Program”.
8. Closing Process
9. Disbursement Process
   a. PRHFA will work with the Applicant’s Financial Institution.

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:

- Increase homeownership rates that will support long-term sustainability and economic viability of communities impacted by Hurricane Irma and María across the Island;
- Incentivize the CRW to continue to reside in communities helping to reduce outmigration and improve job retention and productivity; and
- 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.

5.1 Eligible Use of Funds
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 **five percent (5%)** of the primary loan amount.

5.2 Ineligible Use of Funds
The Program may not cover the following costs:

- 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 Intake
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;
- The Applicant must select a property that meets the Property Eligibility and Environmental Review requirements outlined in these Guidelines; and
- The Applicant must agree to use the acquired home as a primary residence throughout the proscribed affordability period of **five (5) years**;

6.1 Household Eligibility
   6.1.1 Eligibility Determination
All applications will be thoroughly reviewed by the lending institution and PRHFA during the intake and eligibility process to ensure Applicants are eligible for the Program prior to receiving assistance. Eligibility determinations for each submitted Program intake 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.

Applicants who are deemed eligible will be sent a written Eligibility Notice informing them of the eligibility decision and program next steps. 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, if applicable, 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.

7 Housing Counseling
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 the CDBG-DR Housing Counseling Program on the responsibilities of being a homeowner. HUD certified Housing Counselors will provide a homeowner course specific to the needs of these Applicants. Topics may include but are not limited: to understanding the obligations of homeownership; strategies, plans and budgets to maintain financial success as a homeowner; and understanding of how to maintain a safe living environment.

As part of the CDBG-DR Housing Counseling Program, Applicants will be referred to a PRDOH partner Housing Counseling Agency to complete the homebuyer education course.

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 to their Lending Institution.

The housing counseling requirement must be fulfilled prior to closing. No CDBG-DR funds will be committed or disbursed until the housing counseling requirement has been fulfilled.

In addition to the Homebuyer Education Course, Applicants may opt to receive additional services offered by the Housing Counseling Agencies, such as, individual counseling and group courses on budgeting, credit protection, foreclosure prevention and other related topics.

8 Lending Process
8.1 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) 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, 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 PRFHA. Contact information will be part of the PRHFA Outreach initiatives.

8.1.1 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.

9 Underwriting Review
The underwriting review is performed by PRHFA prior to committing funds to an Applicant and assures that only the amount of funds necessary for a sufficient down payment and reasonable closing costs is provided. The underwriting process also ensures that the first mortgage is reasonable and affordable.
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 five percent (5%) of the primary loan amount. In the event, the closing cost exceed 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;
- 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 www.cdbg-dr.pr.gov.

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

### 9.1 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.

9.2 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 two-hundred and twenty-five thousand dollars ($225,000.00) the current FHA mortgage limits, 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 (see 49 C.F.R. 24.103(a) (2):

- An adequate description of the physical characteristics of the property being appraised (and, in the case of a partial acquisition, an adequate description of the remaining property), including items identified as personal property, a statement of the known and observed encumbrances, if any, title information, location, zoning, present use, an analysis of highest and best use, and at least a five (5)-year sales history of the property;
- All relevant and reliable approaches to value. If the appraiser uses more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser’s opinion of value;
- A description of comparable sales, including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction;
- A statement of the value of the real property to be acquired and, for a partial acquisition, a statement of the value of the damages and benefits, if any, to the remaining real property, where appropriate; and
- The effective date of valuation, date of appraisal, signature, and certification of the appraiser.

9.3 Eligible Prepaids and 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 **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 **six percent (6%)**.

The allowable caps for closing costs will be:

- Up to one percent (**1%**) for origination and discount.
- Point five percent (**0.5%** of one percent (**1%**)) for fees in the deed of sale (if paid by the buyer).
- Point five percent (**0.5%** of one percent (**1%**)) for fees in the mortgage deed (**first lien**).
- One percent (**1%**) for fees in writing restrictive conditions (**second lien**).

**9.4 FHA Insured Mortgage Requirements:**

All nonprofit agencies approved for the Secondary Financing Program or governmental entities, may provide secondary financing assistance in conjunction with an FHA-insured mortgage, subject to the following limitations:

- The Secondary Financing is disclosed at the time of application;
- No costs associated with the Secondary Financing are financed into the FHA-insured first Mortgage;
- The Secondary Financing payments must be included in the total Mortgage Payment;
- The Secondary Financing must not result in cash back to the Borrower except for refund of earnest money deposit or other Borrower costs paid outside of closing;
- The Secondary Financing may not be used to meet the Borrower’s Minimum Required Investment (**MRI**) - Unless this comes from an approved source as identified in the FHA Single Family Handbook; a government entity or instrumentality of government may provide the borrower’s 3% MRI. Gifts may be used as an acceptable source. A HUD-approved nonprofit organization can provide assistance outside of the FHA required 3.5 MRI.
- There is no maximum Combined Loan to Value (**CLTV**) for Secondary Financing loans provided by HUD-approved Nonprofits; and
- The Second Lien may not provide for a balloon payment within 10 years from the date of execution.

Additionally, the seller may not have financial interest in the property as all transactions may not result in a conflict of interest. HUD prohibits these individuals from contributing to the down payment: Homebuilders, Sellers, Real estate agents or brokers; or anyone with a vested interest in selling the house. Secondary Financing may not be utilized when PRHFA acquires a HUD REO property.
10 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).

10.1 Assistance Considered a DOB

Because the HBA program requires eligible Applicants to be first-time homebuyers, 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.
10.1.1 FEMA Individual Assistance (FEMA IA)
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.

10.1.2 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.

10.1.3 Private Insurance
All private insurance settlement amounts for loss of dwellings are deducted from the Applicant’s award.

10.1.4 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.

11 Property Eligibility Review
Homebuyers must purchase an 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
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;
- For Critical Recovery Workforce only: Two-Four-Family units (owner & renter units)\(^\text{10}\)

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.

11.1 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 with a valid deed free and clear of all encumbrances;
- The property must be classified vacant or ready to be sold by owner at 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;
- All pre-1978 built properties must meet all applicable federal and local standards for lead-based paint;
- 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;

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\(^{10}\) The Two-Four-Family Units (owner & renter units) for Critical Recovery Workforce portion of the Program is on hold until Action Plan Amendment 4 is reviewed and approved by HUD.
- 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.

11.2 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 the property meets HUD Housing Quality Standards (HQS) and provide document of such to PRHFA.

11.3 Redevelopment Incentive Determination
The Program has defined the urban centers for each municipality in Puerto Rico. The maps will be published and made available at www.cdbg-dr.pr.gov.

As part of the property eligibility review, PRDOH will determine and certify whether an Applicant’s selected property is located within a designated urban center. If the property is deemed eligible, PRDOH will issue a certification to the Program qualifying the Applicant for an additional award up to five thousand dollars ($5,000.00).

Qualified homebuyers for whom the maximum homebuyer award leaves a remaining purchase gap may be considered for assistance above the cap on a case-by-case basis. To request consideration for assistance beyond the program cap, the buyer must have qualified for a mortgage offer for the purchase of a home determined to be reasonable in price based on market valuations by number of bedrooms for family size and demonstrate an additional gap not to exceed $15,000. The program may fund the additional gap beyond the award cap upon evaluation of the applicant file.11

12 Environmental Review
An environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it meets federal, state, and local applicable regulations. Every project undertaken with federal funds, and all activities associated with such project, are subject to the provisions of the National Environmental Policy Act of 1969 (NEPA), 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

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11 As per Action Plan Amendment 4, presented by PRDOH to HUD on July 9, 2020 and still subject to approval, this section was eliminated. The Program is not considering requests for assistance beyond the program cap.
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 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.

12.1 Environmental Level of Review

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

### 12.2 Level of Determined Environmental Review

The level of environmental review identified for this Program is found at 24 C.F.R. § 58.35 (b)(5). Activities to assist homebuyers to purchase existing or new dwelling units, including closing costs and down payment assistance, interest 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.

#### 12.2.1 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.

#### 12.2.2 Coastal Barrier Resources Area

The Coastal Barrier Resources Act (CBRA) 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.

12.2.3 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.

12.3 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. § 35 Lead-based paint poisoning prevention in certain residential structures and may be subject to a lead hazard assessment to be performed by a PRHFA designated inspector.

Lead hazard assessments are on-site lead-based paint inspection to determine the existence, nature, severity, and location of lead-based paint hazards accompanied by a report explaining the results and options for reducing lead-based paint hazards, see 40 C.F.R. § 745.227(d)(11) for report guidelines. 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.

12.4 Asbestos Survey
All pre-1978 built properties acquired through this Program may be required to undergo an asbestos survey. An asbestos survey is used to locate and describe asbestos-containing materials in a structure. The asbestos survey will visually review all suspect asbestos-containing materials associated with the buildings’ interior and will collect samples for laboratory analysis.

During the survey process, every effort shall be made to collect required samples in the least destructive manner possible. The nature of the asbestos survey will be to determine the location and extent of asbestos-containing materials that may be disturbed during repair or demolition activities. Samples of presumed asbestos-containing materials shall be processed or evaluated by accredited laboratories for testing of asbestos presence in materials. Asbestos content determination shall be performed, as necessary, by utilizing Polarized Light Microscopy, Point Counting, and Transmission Electron Microscopy.

13 Award Determination
Upon determination of the property’s eligibility and the award amount, PRHFA will issue a Commitment Letter to the Lender and forward a copy of the letter to the Applicant(s).
PRHFA will reserve CDBG-DR funds for a period, 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.

### 13.1 Reservation of Funds

Upon finalizing the underwriting process and securing the first mortgage, the Lending Institution will ensure that complete Applicant documentation 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 everything is registered as completed, the Lending Institution will submit a request for funds in SSP. The PRHFA will submit a Commitment Letter reserving the funds for the contemplated transaction. Once the reservation is obtained, 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:

- Valid State Issued Driver’s License of 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 years);
- Wages: Last three (3) recent paystubs (All household members 18 years, or older);
- Award letters for benefits / Verification Letter (SSI, Disability, Pension, Unemployment, etc.);
- 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);
- Most recent three (3) months of bank statements for all checking accounts (All household members 18 years, or older);
- Two (2) most recent bank statements for all savings, retirement accounts, 401Ks, etc. (All household members 18 years, or older);
- Child Support Documentation;
- 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);
• 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. The contract must be legible and cannot have any cross-outs or initials on the purchase price or be changed during the qualifying and closing process;
• Copy of Appraisal;
• Copy of Inspection Report;
• Certifications required (3) to be able to do the environmental review;
• Urban center certification issued by PRDOH of the property (if applicable);
• Copy of Employment Verification;
• Copy of Deposit Verification;
• Certification from the Treasury Department certifying that at least in the last three (3) years Applicant has filed taxes over income and;
• Any other document the PRHFA may deem necessary.

13.2 Terms and Conditions

13.2.1 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 Deed of Mortgage and Restrictive Covenants 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.

13.2.2 Affordability Period and Recapture Requirements

The CDBG-DR award will be secured in a Second Lien 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 Deed of Mortgage and Restrictive Covenants 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**

<table>
<thead>
<tr>
<th>Affordability Period</th>
<th>Forgiveness Rate per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1 Year</td>
<td>0%</td>
</tr>
<tr>
<td>Year 1</td>
<td>20%</td>
</tr>
<tr>
<td>Year 2</td>
<td>40%</td>
</tr>
<tr>
<td>Year 3</td>
<td>60%</td>
</tr>
<tr>
<td>Year 4</td>
<td>80%</td>
</tr>
<tr>
<td>Year 5</td>
<td>100%</td>
</tr>
</tbody>
</table>

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.

13.2.2.1 Transfer of Ownership
Selling (including foreclosure) the home during the affordability period is considered a default on the terms and conditions of the affordability period.

13.2.2.2 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.

13.2.2.3 Refinance First Mortgage
In the case that the first mortgage is refinanced, the Borrower will not have to reimburse the PRHFA for the grant.

13.2.2.4 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.

### 13.2.3 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).

### 14 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.

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.

### 15 Closing Process

The closing date will be the moment in which the ownership of the selected property is transferred to the Borrower by means of a Deed of Mortgage and Restrictive Covenants and is registered in the SSP. The Lending Institution will have **five (5) business days** after closing to record the closing in the SSP. If the closing is not registered in the SSP within the period established herein, the Borrower and the Lending Institution will lose the reservation of funds.

#### 15.1 Funding Disbursement

Once the closing is registered in the SSP, the Lending Institution will have **forty-five (45) business days** to send the following documents to PRHFA:

- Final, signed URLA by the applicant and co-applicant (if applicable);
- Signed Closing Disclosure;
- Certified copy of the Deed of Mortgage and Restrictive Covenants detailing the affordability period terms and conditions;
- Copy of the minute of presentation of the Deed of Mortgage and Restrictive Covenants 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 the Puerto Rico Property Registry where the information appears that the deed is duly presented;
• 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 forty-five (45) 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.

15.1.1 Second Lien
The CDBG-DR assistance will be secured with a second lien on the property for the amount of the grant through a Restrictive Covenant 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. PRHFA must be listed as an interested third party on the insurance policies. 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”.

15.2 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 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 conduct the following actions:

- An annual affordability 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 affordability 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.

16 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. The Puerto Rico Housing Finance Authority (PRHFA), 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:

12 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
o Publish programmatic information as necessary (e.g. Program Guidelines, training material, outreach material, etc.);

o Provide PRDOH with required documentation and information as specified in 83 FR 5844 for posting on PRDOH Disaster Recovery Website (www.cdbg-dr.pr.gov).

o Provision of non-essential information (when requested) such as bulletins, newsletters, or marketing materials for publication on PRDOH Disaster Recovery Website; and

o 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), 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 www.cdbg-dr.pr.gov. 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.

17 Monitoring
HUD requires PRDOH, as the Grantee, to monitor progress of all Subrecipients and Partners. 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/.

18 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.

18.1 Program-based Reconsideration Request
Applicants may file a Program-based Reconsideration Request when it is believed there is an error with Program eligibility determinations, Program award, and/or failure to meet construction standards, among other determinations. An Applicant must submit a written Reconsideration Request directly with the Program, 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, the aforementioned twenty (20) calendar day-term shall be calculated from the mailing date. 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. The date of notification is that on which the Program determination was sent to the Applicant.

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. Applications with an approved Reconsideration Request will return to active Program status and continue with the process as normal. Applications with a denied Reconsideration Request will remain ineligible for the Program.
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).

If the Applicant fails to file a program-based Reconsideration Request with PRDOH within the time allotted, the inaction will be deemed as an acceptance of the determination.

18.2 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. 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 of said notice, the aforementioned twenty (20) calendar day-term shall be calculated from the mailing date. Submit request via e-mail to: 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.

Applicants who submit an Administrative Review Request must follow the procedure established in Regulation 4953. After the Administrative Adjudicative Procedure concludes, applications with approved Administrative Review Requests will return to active Program status and continue within the process as normal. Applications with denied Administrative Review Requests will remain ineligible for the Program.

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 LPRA § 24 et seq., and section 4.2 of Act 38-2017, as amended, known as the Uniform Administrative Procedures Act of the Government of Puerto Rico, 3 LPRA § 9672.
If the Applicant fails to contest a determination under the Administrative Adjudicative Procedure with PRDOH within the time allotted, the inaction will be deemed as an acceptance of the determination.

19 General Provisions

19.1 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.

19.2 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.

19.3 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.
19.4 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 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.

19.5 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 LPRA Ap. V, R. 68.1.

19.6 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.

19.7 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 Policy and Standards of Conduct 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);
4. The Anti-Corruption Code for the New Puerto Rico, Act 2-2018, as amended; and

The Conflict of Interest Policy and Standards of Conduct 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 Conflict of Interest Policy and Standards of Conduct also includes standards of conduct governing employees engaged in the award or administration of contracts.

As defined in the Conflict of Interest Policy and Standards of Conduct, 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 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 Conflict of Interest Policy is posted as a standalone document at www.cdbg-dr.pr.gov.
19.7.1 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.

19.8 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:

- **E-mail:** infoCDBG@vivienda.pr.gov
- **Online:** www.cdbg-dr.pr.gov, via the Contact Form available in the “Citizen Participation” – Contact Section of the website
- **Postal mail:**
  Puerto Rico CDBG-DR Program
  P.O. Box 21365
  San Juan, PR 00928-1365

The Citizen Participation Plan is posted as a standalone document at www.cdbg-dr.pr.gov.

19.9 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:

- **E-mail:** LegalCDBG@vivienda.pr.gov
- **Online:** www.cdbg-dr.pr.gov
- **Postal mail:**
  Puerto Rico CDBG-DR Program
  P.O. Box 21365
  San Juan, PR 00928-1365

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13 A direct link will be provided.
The Citizen Complaints Policy will be posted as a standalone document at www.cdbg-dr.pr.gov.

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

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REPORT FRAUD, WASTE, ABUSE, OR MISMANAGEMENT DIRECTLY TO HUD OIG

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The AFWAM Policy is posted as a standalone document at [www.cdbg-dr.pr.gov](http://www.cdbg-dr.pr.gov).

19.11 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.

19.12 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.

For more information, please refer to the Cross-Cutting Guidelines, which are posted as a standalone document at [www.cdbg-dr.pr.gov](http://www.cdbg-dr.pr.gov).

20 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.
21 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.