

**UNITED STATES VIRGIN ISLANDS
HOUSING FINANCE AUTHORITY**

**NEW HOUSING AND INFRASTRUCTURE
CONSTRUCTION (HOMEOWNERSHIP)
PROGRAM POLICIES AND PROCEDURES**

**Version 2
September 7, 2021**



Prepared by:

Virgin Islands Housing Finance Authority - CDBG-DR Division

The policies and procedures stated in this manual are current as of September 7, 2021. This Manual represents the current version of the Virgin Islands Housing Finance Authority's (VIHFA) policies which shall provide general guidance for the operation of the CDBG-DR Division. All manuals will be reviewed periodically and will be updated. Therefore, you are strongly urged to visit our website cdbgdr.vihfa.gov or to ensure that you have the latest version. There may be times, however, when a policy or procedure will change before the manual is revised.

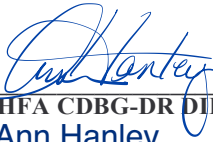
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| SUBJECT: New Housing and Infrastructure Construction (Homeownership) Program Policies and Procedures | |
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|  VIHFA CDBG-DR DIRECTOR OF PROGRAMS Ann Hanley | <u>September 7, 2021</u> Date |

Table 1: New Construction and Infrastructure Construction (Homeownership) Program Version Control

| VERSION NUMBER | DATE REVISED | DESCRIPTION |
|----------------|-------------------|---|
| 1.0 | June 3, 2019 | Version 1 Draft New Construction (Homeownership) and Infrastructure Construction Policies and Procedures |
| 2.0 | September 7, 2021 | <ul style="list-style-type: none"> • Section 2.0 Updated Program Overview. • Moved Section 2.7 to 3.0 Program Administration from 4.0. • Section 4.0 Title change from Program Solutions to Program Options. • Section 6.0 Updated to reflect markets utilized to advertise for the program. • Section 7.0 Title Change from First-Time Homebuyer Applicant Eligibility Criteria and Prioritization to Applicant Eligibility Criteria and Prioritization. • Section 7.2 Incorporated Homebuyers Education Program • Section 8.2 Included HUD's income limit website hyperlink • Loan Closing Section was moved from Section 3.0 to Section 8.4 • Refinancing Section was moved from Section 3.4 to Section 9.0 • Resale and Recapture Provisions Section was moved from Section 2.10 to Section 10.0 • Duplication of Benefits Section was updated and moved from Section 2.11 to Section 11.0 • Program Income was moved from Section 2.12 to Section 12.0 |

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| | | <ul style="list-style-type: none">• Contractor Requirements was updated and moved from Section 3.14 to Section 13.0• Construction Administration was updated with a title change from Construction Contract and Administration and moved from Section 3.15 to Section 14.0• Record-Keeping was moved from Section 4.0 to Section 15.0• Incorporated Section 16.0 Other Federal Requirements• Incorporated Section 16.1 Fair Housing Rights |
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1.0 POLICIES

1.1 Version Policy

Version history is tracked in the table title page, with notes regarding version changes. The dates of each publication are also tracked in this table. The first version of this document is 1.0.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantive changes such as minor wording and editing, or clarification of existing policy that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

1.2 Policy Change Control Board

Policy review and changes for the Virgin Islands' New Construction for Homeownership Opportunity and First-Time Home Buyer Assistance Program policies are considered through a change control process. When policy clarifications, additions, or deletions are needed to more precisely define the rules by which the Program will operate, Program staff will submit a Policy Change Request Form or a Request for Decision Form for internal review by the Policy Change Control Board (PCCB). Within the PCCB, two members will separately conduct a review to verify that all relevant information and any supporting documentation are included in the request. Upon PCCB concurrence by these two members that the request raises a policy issue, rather than a process issue, the Policy Change Request Form or Request for Decision is forwarded to the Policy Change Control Board for consideration. The requests are compiled and brought before the entire PCCB for a final policy change determination.

The PCCB is composed of the Special Council for Disaster Recovery, the Senior Housing Program Manager, the Senior Policy Manager, the Housing Program Manager, at least one Subject Matter Expert, and other program staff members representing Program leadership as needed.

The PCCB meets bi-weekly, as needed, to consider all pending requests but may meet as frequently as necessary to consider critical policy decisions. The schedule for PCCB meetings is expected to move to a lower frequency as the Program matures.

2.0 DEFINITIONS

Adjusted Gross Income (AGI): AGI is an individual's total gross income minus specific deductions. VIHFA's methodology may be found in the VIHFA's Administrative Manual.

Affordability Period: The period during which a property must comply with CDBG-DR program rules and regulations, including primary residency, income, and rent restrictions as applicable.

Applicant: A person or persons who have applied to VIHFA for approval of a CDBG-DR home purchase and Homeowner Financial Assistance.

Area Median Income (AMI): Calculated annual limits based on HUD-estimated median family income with adjustments based on family size used for demonstrating LMI beneficiaries in the program. May also be referred to as Area Median Family Income (AMFI) in other program documents.

Contractor: A person or company that enters a contract to construct or repair houses and or supervised building operations. Contractor must meet all Virgin Island and HUD requirements.

Common Area Under Roof: The total area under the common roof is primarily interior, conditioned spaces, and for single-story homes, equal to the footprint of the house. The term is also synonymous with the eligible area. In addition, exterior spaces such as detached porches and garages are not considered eligible areas.

Community Development Block Grant - Disaster Recovery (CDBG-DR): The Department of Housing and Urban Development (HUD)'s Community Development Block Grant Disaster program was established by the applicable appropriations statute to assist communities impacted by disasters to recover.

CDBG-DR Development Agreement: An agreement entered by Grantee and Developer for the purpose of funding and carrying out CDBG-DR-eligible activities on one or more CDBG-DR eligible properties.

CDBG-DR Buyer: Applicant eligible to purchase a CDBG-DR constructed home.

CDBG-DR Property: A property that is rehabilitated, newly constructed, or reconstructed pursuant to Developer's agreement with Grantee, utilizing CDBG-DR funds.

CDBG-DR Home: An CDBG-DR property that is being sold to an owner-occupant.

CDBG-DR Program Budget: The budget is attached to a CDBG-DR Development Agreement showing projected development costs and funding for the Developer's entire CDBG-DR program in the aggregate.

Construction Cap: For the New Construction for Homeownership and First-Time Buyer Assistance program the Grant cap is \$325,000 for the development of properties owned by HFA, and \$150,000 when building on land owned by a prospective homebuyer.

Davis-Bacon Act of 1931 (40 USC Part 3141 et seq.) and Related Acts: All laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with the assistance received under this chapter shall be paid wages at rates not less than those prevailing on similar construction in the locality of determined by Secretary of Labor in accordance with the Davis-Bacon Act, as amended. This applies to the rehabilitation and reconstruction of residential property with 8 or more units.

Demolition: The clearance and proper disposal of dilapidated buildings and improvements.

Duplication of Benefits: The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funds with respect to any part of a loss resulting from a major disaster which he/she has already received financial assistance under any other program, from insurance, or any other source. It is an amount determined by the Program that may result in the reduction of an award value.

Environmental Review: All qualified projects must undergo an environmental review process. This process ensures that all activities comply with National Environmental Policy Act (NEPA) and other applicable state, territorial, and federal laws.

Environmental Review Record (ERR): the document resulting from the required environmental review which includes a description of activities, evaluation of environmental impact, documentation of compliance with applicable environmental regulations, and an environmental determination.

FEMA-Designated High-Risk Area: Area designated by FEMA as vulnerable to significant wind and/or storm surge damage as well as areas located in the designated 100-year flood zone. These areas will be identified during the environmental review process for each participating jurisdiction.

Flood Hazard Area: Areas designated by FEMA at risk of flooding.

Flood Insurance: The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as a Special Flood Hazard Area (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). To purchase flood insurance, a community must participate in the NFIP. If a community does not participate in the NFIP, federal assistance cannot be used in those areas.

Floodplain: FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

1.2.1 "100-year floodplain" - the geographical area defined by FEMA as having a one percent chance of being inundated by a flood event in any given year.

1.2.2 "500-year floodplain" - the geographical area defined by FEMA as having a 0.2 percent chance of being inundated by a flood event in any given year.

Grantee: Eligible first-time homebuyer

Household: A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single-family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the LMI National Objective is based on the LMI of the household.

HOME Program: The HOME Investment Partnerships Program (HOME) provides formula grants to States and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

Individual Mitigation Measures (IMM): Activities designed to mitigate /or reduce the risk of damage beyond the pre-disaster condition of a housing unit when the activities are above and beyond federal, state, or local requirements and the payment of flood insurance are not IMM activities. Examples of IMM activities include elevating a structure above the base flood elevation level, the addition of storm shutters, disaster-proof windows, roof straps, etc. if those improvements are not required to comply with local code requirements and did not exist on the housing unit prior to the disaster damage.

Low- and Moderate-Income (LMI): A household is of low- and moderate income if the household income (including income derived from assets) is at or below 80 percent of an area's median income. All income is based on the Area Median Income limits set annually by HUD for each county or metropolitan statistical area.

Low to Moderate Income (LMI) National Objective: Activities that benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with 24 CFR Part 5 requirements using procedures as stated in the Technical Guide for Determining Income and Allowances, 3rd Edition (HUD-1780-CPD). The most current income limits, published annually by HUD, shall be used to verify the income eligibility of each household applying for assistance at the time assistance is provided.

Mitigation: Improvements made to reduce the possibility of a loss of life, property damage, personal and commercial hardship, as well as long-lasting monetary burdens. For example, implementing a flood mitigation program such as the acquisition of flood-prone property/housing, or the elevation of housing in floodplains are effective mitigation projects that can make residents and communities safer in the face of natural disasters.

Mixed-income Housing: Mixed-income housing development can include diverse types of housing units, such as apartments, townhomes, and/or single-family homes for people with a range of income levels.

New Construction: The construction of a new home in a new location.

Project Funding: Any governmental and private funds, including a Developer's cash, used to pay for the costs to redevelop a single CDBG-DR-assisted property.

Project Budget: A budget for all acquisition, rehab/construction, and soft costs for a potential CDBG-DR project. The Developer must submit the budget to the Grantee and the property must pass Environmental Review and receive Authorization to Use Grant Funds before committing to the purchase of any property for use in the CDBG-DR program.

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that requires recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low-income residents in connection with projects and activities in their neighborhoods.

Section 504: A provision of the Rehabilitation Act of 1973 which provides that no qualified individual with a disability should, only because of his or her disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

Single-Family Home: A single-unit family residence detached or attached to other housing structures.

Urgent Need National Objective: An urgent need that exists because conditions pose a serious and immediate threat to the health or welfare of the community. The existing conditions must be recent or have recently become urgent and the subrecipient cannot finance the activities on its own because other funding sources are not available. Subrecipients or the state must document how each program and/or activity funded under this category responds to a disaster-related impact. See 24 CFR 570.208(c).

Virgin Islands Housing Finance Authority (VIHFA): VIHFA is the Grantee for HUD's Community Development Block Grant-Disaster Recovery (CDBG-DR) funding. VIHFA will retain day-to-day administrative management and oversight of CDBG-DR activities and will be responsible for establishing and maintaining financial accountability for CDBG-DR funds, compliance with CDBG-DR requirements, and establishing and maintaining project files and records. VIHFA will be implementing this program directly and acting as the developer within this program,

2.0 PROGRAM OVERVIEW

As the Grantee for the HUD Community Development Block Grant Disaster Recovery (CDBG-DR) funds in the Territory, the Virgin Islands Housing Finance Authority (VIHFA) has established programs and projects in their CDBG-DR Action Plan to address the needs of the Territory after Hurricanes Irma and Maria. In a period where the local housing stock is low, quality replacement homes, especially affordable homes in the United States Virgin Islands(also referred to as “the Territory”) will be impossible to find. The VIHFA struggled to keep up with housing demand before Hurricanes Irma and Maria, and now the capacity to deliver completed single-family constructed homes has worsened by these Hurricanes' recovery efforts.

There is a decreasing level of homeownership opportunities across the Territory and a growing stock of vacant and abandoned homes is on the rise. Therefore, the VIHFA will administer CDBG-DR funding to support first-time homebuyers with the purchase of a newly constructed property through the New Construction for First-Time Homebuyers Program (also referred to as “the Program”). This program focuses on promoting homeownership while also improving the long-term viability and sustainability of the communities across the Territory.

Under this program, VIHFA will administer CDBG-DR funding to support first-time homebuyers with the purchase of a home. Assistance will be limited to the amount necessary to achieve homeownership. VIHFA will utilize CDBG-DR funds to install infrastructure(roads, lighting, etc.), grading, installation of utilities, and land preparation, and the construction of homes in mixed-income communities in the Territory. These new homes will be developed based on two (2) options: (1) turnkey developments on land owned by VIHFA or (2) on land owned by the potential homeowner. To be qualified, applicants must be mortgage-ready and have incomes at or below 80% AMI. Second mortgages in the form of forgivable loans for first-time homebuyers at or below 120% AMI may also be available under the turnkey option. Homebuyers' assistance for a down payment and closing cost will be based on underwriting standards.

The awards for homebuyer assistance will not exceed the total of the down payment and closing cost necessary to make the home affordable, based on underwriting standards.

This policy document explains the structure of the program, the requirements for developers, including VIHFA acting as the developer, requirements for contractors, eligibility criteria for first time homebuyers, and supporting documentation for program eligibility determination.

3.0 PROGRAM ADMINISTRATION

VIHFA will administer and oversee all activities and expenditures in connection with the Virgin Islands CDBG-DR funds. VIHFA employees, along with contractors procured to aid VIHFA staff, will ensure that the activities are undertaken to meet all program requirements, including the disaster threshold, eligibility, national objective, compliance, fair housing, labor standards,

nondiscrimination, environmental regulations, and procurement regulations.

VI CDBG-DR will monitor the activities in accordance with HUD, VI CDBG-DR, and VIHFA monitoring and compliance requirements so that each activity funded will meet the disaster threshold and one of HUD's national objectives, with emphasis on eligible activities achieving the new construction of affordable housing units primarily benefiting low to moderate-income persons.

3.1 Total Allocation

Total Allocation is \$85,000,000.00 and/or as detailed in the CDBG-DR Action Plan and Amendments.

3.2 Tie to the Disaster

Hurricanes Irma and Maria caused significant damage to both the owner-occupied and rental housing stock, depleting an already limited housing stock, and driving housing prices above affordable levels. This is especially true for single-family homes for sale. Prior to the hurricanes, according to the Housing Demand Study completed in 2015, six percent of overall listings for single-family homes for sale were available to households with up to 80% of AMI. Many homes for sale were higher-priced homes and condominiums.

3.3 National Objective

The Virgin Islands Housing Authority CDBG-DR New Housing and Infrastructure Construction Program for Homeownership will meet these National Objectives as prescribed by HUD :

- Benefit Low-to-Moderate Income Persons
- Urgent Need

3.4 Eligible Activities

HUD determines if an activity is eligible. The following activities under the Housing and Community Development Act of 1974 (HCDA) are eligible for CDBG-DR grant funds:

- Acquisition of real property (HCDA Section 105 (a)(1));
Clearance, Rehabilitation, Reconstruction and Construction of Buildings (including Housing) (HCDA Section 105(a)(4));
- Public Facilities (HCDA Section 105(a)(2));
- Public Services (HCDA Section 105(a)(8));

3.5 Ineligible Activities

Activities are not eligible for CDBG-DR funds if the activity

- Does not correspond to an identified Hurricane Irma or Maria disaster-related impact.
- Is restricted in the Public Laws appropriating the CDBG-DR funds (Public Laws 115-56 and 115-123) or in the Housing and Urban Development Block Grant Disaster Recovery Federal Register Notices (Docket numbers FR-6066-N-01, FR-6109-N-01, and FR-6136-N-01).
- Is ineligible according to CDBG-DR requirements and a waiver has not been granted
- Activities that fail to meet a national objective.

3.6 Geographic Area(s) Served

Projects across the Territory are eligible for this program as priorities are determined by VIHFA.

3.7 Estimated Start and End Dates

- Quarter 4. 2018 through Quarter 3. 2026.

4.0 PROGRAM OPTIONS

4.1 Option 1: Turnkey Development

Under the Turnkey Development option, VIHFA will act as the developer and solicit contractors to construct homes and install infrastructure utilizing CDBG-DR funding. This option will be open to eligible residents that have been pre-qualified for VIHFA's homebuyer program. If additional funding is made available, more applicants may become eligible.

Due to the high cost of construction in the Virgin Islands, the sale price for homes constructed under this program may still not be within reach of what a borrower can qualify for with a typical mortgage. In situations where additional funding for closing costs is unavailable, the VIHFA may offer homeownership assistance in the form of a grant.

4.1.1 Eligible Applicants

Potential homebuyers must have been a resident of the Territory at the time of the disaster (this would be evidenced by the 2018 Income Tax Return stamped in the Territory or a lease and/or utility bill) and demonstrate they are mortgage-ready with incomes less than 80% AMI will be prioritized.

4.1.2 Maximum Award

Awards to developers/contractors may be up to \$325,000.00 per home, including the infrastructure and construction of homes for first-time homebuyers. Circumstances, where additional costs may be incurred, will be reviewed against cost reasonableness guidelines. Awards for homebuyer assistance will not exceed the total of the down payment and closing costs necessary to make the home affordable, based on underwriting standards.

4.2 Option 2: Own a Lot, Build a Home

4.2.1 Eligible Applicants

Potential homebuyers must have been a resident of the Territory at the time of the disaster (this would be evidenced by the 2018 Income Tax Return stamped in the Territory or a lease and/or utility bill) and demonstrate they are mortgage-ready with incomes less than 80% AMI.

4.2.1.1 Maximum Award

Awards may be up to \$150,000.00 for the construction of a first home. This amount also includes any required infrastructure. Applicants will be expected to obtain additional financing for the total project cost before the commitment of the CDBG-DR funds. Program funds are to be used in conjunction with other resources such as a USDA Rural Development loan or bank loan to complete construction and occupy the home.

It is expected that the Program will offer the CDBG-DR funds as a construction loan in combination with a primary lender, such as USDA Rural Development or other conventional lending institution. Construction progress payments will be made at the same time, or *pari passu*, with the primary lender.

The construction loan will be a second mortgage, fully forgivable over the term of the loan, with any remaining balance due if the property is sold before the end of the 20-year affordability period. The schedule for forgivability will be outlined in the second mortgage.

5.0 AFFORDABILITY PERIOD

The Program has established a 20-year affordability period commencing from the date of the original sale. During this period homeowners are required to utilize the home as their primary residence.

6.0 APPLICATION PERIOD

The Program will have an open application period during the construction phases until all housing units are sold. Outreach efforts will be conducted through various mediums

to ensure that the existing Priority clientele database, as well as the public, is notified. The VIHFA markets in the following manner to advertise its services to all first-time homebuyers:

- In the local newspapers;
- Press releases;
- Newsletter to the database of priority applicants;
- Open houses for all subdivisions; and
- Online media sources

7.0 APPLICANT ELIGIBILITY CRITERIA AND PRIORITIZATION

Applicants for both Options must meet the following eligibility criteria:

- Must be a first-time homebuyer.
- Must meet established income requirements.
- Must be a resident of the Territory for the last three (3) years.
- Must have the ability to make a minimum earnest money deposit of \$500. For qualified veterans, no earnest money deposit is required.
- Must be pre-qualified for a mortgage loan based on nationally accepted underwriting standards of FHA/VA/Conventional Mortgages.
- Must attend VIHFA's Homebuyer's Education Program and earn a Certificate of Completion.
- Must occupy the property as their primary residence during the twenty (20) year affordability period.

7.1 Prioritization Criteria

The Program will prioritize pre-qualified applicants with incomes at or below 80% AMI for new housing construction or at or below 120% AMI for homeownership assistance.

Applicants for Option 2 will be prioritized based on a review of each project for project viability.

7.2 Homebuyers Education Program

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.

8.0 APPLICATION INTAKE

The Program will have an initial open application period during construction until all homes are sold. Homeownership staff will conduct initial interviews based on applications received. The Homeownership Staff will work with the existing pool of prequalified mortgage-ready priority applicants. The VIHFA Homeownership staff will determine if applicable records are current or need to be updated.

Applicants will complete interviews with the Homeownership Division for eligibility determination and a file copy package will be provided to the VI CDBG-DR New Housing and Infrastructure Construction Program Manager to perform QA/QC for program eligibility prior to the execution of the Sales Agreement.

The file copy package will consist of the following:

- Application for Homeownership;
- Income & Asset Questionnaires;
- Third-party verification authorizations, as applicable;
- Birth Certificate and Social Security Cards for all household members;
- All income Verifications;
- Bank and Assets Verifications;
- Preceding Year Filed Income Tax Return;
- 2018 Tax Return documenting tie to the disaster;
- Income Calculation Worksheet;
- Applicable Income Limits Chart;
- Loan Evaluation Form; and
- Amortization Schedule.

Applicants for Option 2 will similarly be required to provide the same documentation, including the Property Deed, that will be packaged and sent to the VI CDBG-DR Program staff.

8.1 Qualifying Applicant Income and Mortgage Readiness

VIHFA's Homeownership Division will verify applicant income and confirm their ability to qualify for a mortgage.

8.2 Income Verification

The Program will prioritize pre-qualified applicants with incomes at or below 80% AMI for new housing construction or at or below 120% AMI for homeownership assistance.

These limits are based on HUD's estimates of median family income, with adjustments based on family size. The HUD income limits are found at www.huduser.gov/portal/datasets/cdbg-income-limits.html

8.3 Eligibility Determination

Homeownership Staff will request all necessary third-party verification of income, assets, and other application requirements. They will also verify land ownership for Option 2 applicants.

8.4 Loan Closing

Loan closings are scheduled by the primary lender in consultation with the VIHFA Loan Processor, legal counsel, and client. All closing documents are prepared by VIHFA.

9.0 REFINANCING

With respect to refinancing loans to which Program loans are subordinated, the Grantee shall seek the written consent of the Authority before refinancing or obtaining a subsequent mortgage of the property.

10.0 RESALE AND RECAPTURE PROVISIONS

VIHFA currently follows the regulations of the HUD CDBG-DR regulations and regulations of the Territory pertaining to affordable housing, including the resale and recapture provisions, which are detailed in the V.I.C Title 21, Chapter 1 and are further defined in the Joint Rules and Regulations for the U.S. Virgin Islands Affordable Housing Program outlined in Title 29, Chapter 16, Sections 930 of the code. These provisions are further codified in VIHFA's Deed of Conveyance which is instituted for each sale within the existing program.

10.1 Enforcement

CDBG-DR funds will be secured by the incorporation of the applicable language in the Deed of Conveyance. VIHFA may also require the homebuyer to execute a Mortgage which shall be recorded against the property.

11.0 DUPLICATION OF BENEFITS

Section 312 of the Robert T. Stafford Disaster Assistance and Emergency Relief Act (42 U.S.C. §5155) prohibits any person, business concern, or other entity from receiving financial assistance with respect to any part of a loss resulting from a major disaster for which he has received financial assistance under any other program or from insurance or any other source. In accordance with the Stafford Act, Disaster Recovery funds issued through the Department of Housing and Urban Development's CDBG-DR program may not be used for any costs for which another disaster recovery assistance was previously provided for the same purpose. As mandated by law, all projects receiving CDBG-DR funding must undergo an analysis of duplication of benefits to ensure no funds have been or will be received for the same purpose as the intended CDBGDR grant.

Developers must disclose all sources of funding for project finance in accordance with the following list of potential sources of funding that may result in a duplication of benefits. Generally, financial assistance received from any other source that is provided for the same purpose as the CDBG-DR funds is considered a Duplication of Benefit (DOB). The Territory's policy is in accordance with HUD's guidance on duplication of benefits; details for preventing Duplication of Benefits can be found in the VIHFA General Administrative Policy.

The Program must consider the total assistance available to the Developer for the project. This includes all benefits, including cash, insurance proceeds, grants from FEMA, SBA loans, as well as any other assistance received by the applicant from other local, Territory, or federal programs, or private or nonprofit charities.

Developers should pay special attention to the following potential sources of benefits:

- National Flood Insurance Program (NFIP): Insurance proceeds received must be disclosed by the project owner and/or Subrecipient.
- Private Insurance: All insurance proceeds received must be disclosed by the Developer. Where necessary, the Program will look for "undeclared" insurance benefits as well as confirming those disclosed by the project owner and/or Subrecipient.
- FEMA: FEMA proceeds received must be disclosed by the project owner and/or Subrecipient.
- Other: Funds received from other sources must be disclosed by the project owner and/or Subrecipient and verified by the Program. Examples include nonprofits, other governmental agencies, and social groups.

CDBG-DR funds cannot supplant other funding; project budget, sources, and uses documents will be reviewed to ensure an appropriate amount of CDBG-DR assistance. All Applicants are required to report all assistance reasonably anticipated. Reasonably anticipated funds include assistance that has been awarded, but has not yet been received, as well as funding the Developer anticipates will be making an application. If excessive funds are reported or identified, the CDBG-DR funds will be the funding source reduced.

12.0 PROGRAM INCOME

All collection of payments for VI CDBG-DR funds shall be considered Program Income and maintained by VIHFA under the direction of VI CDBG-DR. These are to include administrative fees, penalties, and grant repayments because of program noncompliance. 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. VIHFA will establish an independent, non-interest-bearing account for Program Income received from the Program. Program Income activity shall be reported to VI CDBG-DR. 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.

13.0 CONTRACTOR REQUIREMENTS

All contractor requirements are outlined in the VIHFA Procurement Policies and Procedures.

14.0 CONSTRUCTION ADMINISTRATION

Construction Administration will be conducted by the VIHFA. VIHFA has adopted the U.S. Virgin Islands building code based on the International Residential Code; Department of Planning and Natural Resources' Construction Information for a Stronger Home Guide; VIHFA's Affordable Housing Guidelines; the Model Energy Code and the HUD Community Planning and Development Green Building Retrofit Checklist.

15.0 RECORD KEEPING AND REPORTING

VIHFA Operations and New Construction for Homeownership program staff (including contractors) will comply with 24 C.F.R. Part 5.2, Compliance with the Privacy Act, which requires the safeguarding of Personally Identifiable Information (PII) by:

- Minimizing the use of PII on program documents and records.
- Providing access to PII only to those who require it for official business.
- Securing PII appropriately for paper or electronic forms.
- Training for data security and compliance with the Privacy Act will be provided to all their onboarding process.

In accordance with HUD regulations, as a grantee and recipient of CDBG-DR funds, VIHFA follows the records retention requirements cited at 2 CFR Part 200.333-337, which includes financial records, supporting documents, statistical records, and all other pertinent records are maintained for five years after closeout of the grant between HUD and VIHFA. VIHFA established requirements in its sub-recipient and contractor agreements for compliance with all HUD cross-cutting requirements outlined at 2 CFR 200: Appendix II, including recordkeeping requirements. Records such as mortgages and other legal documents enforcing provisions of long-term affordability shall be maintained for five (5) years after the termination of the compliance period.

Homebuyers will be advised to maintain all records, receipts, invoices, and other documentation related to the purchase of their homes for three years from the date VIHFA close the CDBG-DR program with HUD.

For additional information regarding records retention, how the program will manage PII, and file security, please refer to VIHFA General Administrative Policy Manual.

16.0 FEDERAL REQUIREMENTS

16.1 Housing/Civil Rights

The Fair Housing Act requires all grantees, sub-recipients, and/or developers funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability, or marital status. VIHFA complies with and enforces the Civil Rights requirements of Title I of the Housing and Community Development Act and the Fair Housing Law.

16.2 Prevention of Fraud, Waste, And Abuse

This policy applies to any irregularity, or suspected irregularity, involving employees as well as consultants, vendors, contractors, sub-recipients, sub-grantees, applicants, or outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with VIHFA.

Fraud is an intentional, wrongful act to obtain either money or some other advantage or benefit from government programs. Fraud includes theft, embezzlement, false statements, illegal commissions, kickbacks, conspiracies, obtaining contracts through collusive arrangements, and similar devices.

Waste is an appropriate action or omission by those with controls over government resources that result in taxpayers not receiving reasonable value for money in connection with any government-

funded activities. Waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

Abuse is an administrative violation of judiciary, court unit, or organization regulation that impairs effective and efficient operations. The violation may result in federal losses or denial or reduction of lawfully authorized federal benefits to participants.

All applicant forms and agreements should carry the following:

Warning: Any person who knowingly makes a false claim or statement to HUD or the USVI may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001, and 31 U.S.C. 3729. Under penalties of perjury, I/we certify that the information presented above is true and accurate to the best of my/our knowledge and belief. I/We further understand that providing false representations herein constitutes an act of fraud. False, misleading, or incomplete information may result in my ineligibility to participate in this program or any other programs that will accept this document. Title 18, Section 1001 of the U.S. Code states that a person is guilty of a FELONY if he/she knowingly and willfully makes a false statement to any department of the United States Government.

16.2.1 Actions That Constitute Fraud, Waste, And Abuse

This Fraud, Waste, and Abuse Prevention Policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the Authority in the administration of all VIHFA programs and the Authority's internal procurement. Some actions constituting fraud are as follows:

- Any dishonest or fraudulent act;
- Misappropriation of funds, securities, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering because of insider knowledge of the Authority's activities;
- Disclosing confidential and proprietary information to outside parties;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the Authority.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or any similar or related irregularity.

It is the intent of the Authority to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Authority.

17.0 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 the VI CDBG-DR Initial Action Plan and its amendments. The Cross-Cutting Guidelines and all CDBG-DR Program policies are available at <https://cdbgdr.vihfa.gov/wp-content/uploads/2020/04/APPENDIX-A.2-Crosscutting-Requirements>