



**CITY OF HOUSTON  
BUILD IT FORWARD  
HOUSING RECOVERY PROGRAM**

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Homebuyer Assistance Program Guidelines  
(HbAP 2.0)

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Version 1  
Approved: XX/XX/XXXX

# **GUIDELINE AMENDMENTS, WAIVERS, AND PUBLIC COMMENTS**

As the Homebuyer Assistance 2.0 Program (HbAP 2.0) matures, there may be requests for waivers and alternative requirements to these Guidelines. These guidelines may be amended either administratively or by a vote from the Houston City Council per [HCDD Policy #01-01: Governing Documents](#) and consolidated, reviewed, and approved by the GLO.

To request a waiver, HCDD must submit a written request on HCDD letterhead that includes the following:

1. The Guideline for which the waiver applies
2. The requirement to be waived or altered
3. Alternative requirement or language
4. Detailed statement of how the request is necessary to address unmet recovery needs

## ***General Program Waiver Request***

A General Program Waiver request includes a requested change to the Guidelines for administrative, eligibility, national objective, expenditure deadline, or overall benefit requirements, for which approval from the GLO is needed within 30 days. The request must demonstrate that the funds will be used for an eligible CDBG-DR eligible activity and meet a national objective.

Waivers of this category must be published for 7 calendar days, and public comment received and addressed before implementation.

## ***Emergency Waiver Request***

An Emergency Program Waiver Request is a requested change to the Guidelines for administrative, eligibility, national objective, expenditure deadline, or overall benefit requirements that must be implemented as soon as possible, for example, to resolve or prevent a compliance issue. An Emergency Waiver Request must be submitted to GLO immediately and a response should be received from GLO within 5 business days.

In the case of requests that must be routed to HUD for approval, it is expected that GLO and the City of Houston will request an expedient response. If the request will not be approved before the anticipated or necessary implementation timeline, GLO must notify the City of Houston via an official letter of the necessary escalation to HUD and anticipated timing.

Additional requirements may be requested as required for submission depending on waiver type and category.

## DOCUMENT CONTROL

While this document is the primary document governing how this program is administered, these guidelines are controlled by applicable laws, statutes, and requirements at the federal, state, and local levels. Every attempt is made by HCDD to update this document to reflect changes “upstream.” However, in cases of conflict between this document and a controlling, upstream document, the upstream document controls. Examples of upstream documents include, but are not limited to:

- Applicable laws, statutes, and requirements set by the federal government or the State of Texas;
- Relevant notices from the U.S. Department of Housing and Urban Development published in the Federal Register;
- City of Houston Code of Ordinances;
- Mayoral Policies and Procedures, such as:
  - Mayor’s Policies;
  - Executive Orders;
  - Administrative Policies; and/or
- City of Houston’s Action Plan for 2017 Hurricane Harvey.

In cases where the conflict concerns a requirement, the more stringent requirement controls unless otherwise determined by the Director of HCDD to the extent of applicable laws and requirements.

## CONTACT US

It is our mission to make participating in the Homebuyer Assistance Program (also referred to as “HbAP 2.0” or “Program”) as straightforward and expedient as possible while remaining fully compliant with the conditions of this federal award. We welcome feedback from beneficiaries and the general public regarding how we can improve our service to Houstonians. We further encourage interested parties to reach out to their federal elected officials and provide feedback.

We welcome any questions or feedback regarding this document. If you would like to file a complaint or appeal, please refer to [Complaints & Appeals](#) section for instructions. If you would like to report potential fraud, waste, or abuse, please refer to [Fraud, Waste and Abuse](#) for instructions.

For all other inquiries, we can be reached at the following:

Housing and Community Development Department  
2100 Travis St., 9th Floor  
Houston, TX 77002  
+1 (832) 394-6200  
[hcdd@houstontx.gov](mailto:hcdd@houstontx.gov)

# CHANGE LOG

Version #	Date	Changes
1	XX/XX/XXXX	N/A

## Table of Contents

Needs Assessment.....	7
Introduction.....	7
HBAP ADMINISTRATION .....	8
CDBG-DR NATIONAL OBJECTIVES.....	8
APPLICABLE LAWS & REGULATIONS.....	9
COMMUNITY ENGAGEMENT .....	10
HbAP Overview.....	11
HBAP ELIGIBILITY.....	12
HbAP Applicant Ineligibility .....	18
HbAP Property Eligibility Requirements.....	19
HbAP Ineligible Property .....	21
APPLICATION PROCESS.....	25
Financial Management .....	30
Procurement.....	30
Program Income .....	32
Responsible Parties .....	32
Environmental Review.....	33
Cross Cutting Federal Regulations.....	34
Americans with Disabilities Act (ADA).....	34
Federal Labor Standards.....	34
Fair Housing.....	34
Limited English Proficiency .....	35
Residential Anti-Displacement .....	35
Uniform Relocation Act and Real Property Acquisition .....	35
Insurance and Property Management .....	36
Record Keeping, Retention, and File Management.....	36
Reporting .....	37
Record Retention.....	37
File management.....	38
Access to Records (State – City) .....	38
Audit Requirements.....	38

Fraud, Waste and Abuse .....	39
Conflicts of Interest .....	39
Confidentiality/Privacy .....	40
Monitoring.....	41
Program Closeout.....	41
Complaints & Appeals .....	41
Contact Information .....	41
Complaints.....	42
Appeals .....	42
Appeal Request.....	42
Appeals Process .....	43
Definitions .....	44

## Needs Assessment

The City of Houston completed its Local Housing Needs Assessment to identify the impact of Hurricane Harvey on the city's housing stock. Information has been gathered from a number of sources to document the impact of Hurricane Harvey including demographic profile of impacted households including LMI households.

The impact on housing is based on an estimation of the extent and depth of flooding using a flood risk assessment methodology and an estimation of damage to all buildings in Houston using a damage assessment methodology. The two methodologies provide an assessment of the impact of Hurricane Harvey's rainfall on residential buildings. The models used in these methodologies provide information on the level of inundation in each structure and the associated damage in dollar amounts to the building structure and its contents.

The entire City of Houston is located in an area HUD identified as "most impacted and distressed", as it relates to the damage from Hurricane Harvey. The City of Houston's Local Action Plan and Local Housing Needs Assessment are the basis for the development and prioritization of recovery activities in Houston using CDBG-DR funds. The City has consulted with affected residents and stakeholders, such as the Houston Housing Authority to assess needs. As additional data becomes available and as additional community and stakeholder engagements take place, the unmet needs and activities to address community needs through CDBG-DR funds may be updated.

## Introduction

On August 25, 2017, Hurricane Harvey made landfall as a category 4 hurricane in southeast Texas, causing catastrophic flooding and damage to the City of Houston. As a result, a Presidential Disaster was declared on August 25, 2017, which included the City of Houston.

Through our recovery programs, the City of Houston is committed to building a resilient and equitable city after Hurricane Harvey. Our housing recovery programs seek to build safe and affordable homes across our city, in communities where people can thrive. This means investing in homes – providing down payment assistance, rebuilding existing housing stock, and constructing new homes in areas safe from future flooding – as well as in community amenities, economic engines, and resilience activities. We will use data to design and evaluate the success of our programs and will be transparent about how the recovery is unfolding. Recovery from Hurricane Harvey presents a historic opportunity to build forward into a Houston that's stronger than ever before.

Additional disaster recovery funding was identified and distributed to the City of Houston to resume the homebuyer assistance offered to residents affected by Hurricane Harvey on August 25, 2017.

## HBAP 2.0 ADMINISTRATION

The City of Houston will administer its Homebuyer Assistance Program (HbAP 2.0) per these Homebuyer Assistance Guidelines (HbAP 2.0), Texas General Land Office (GLO) requirements, and HUD CDBG-DR regulations and guidance. The City of Houston reserves the right to assign or adjust program priorities and re-allocate program funds if in doing so would better serve the affected communities and their residents.

The City of Houston reserves the sole discretion of interpreting and applying these Guidelines, except for those items where GLO or HUD has indicated their prior approval is required for implementation. HCDD will utilize administrative procedures to implement programs and modify them to meet any changes made to such rules and regulations of the oversight entities, which may occur over time. At all times, should any conflict in these procedures exist with the applicable funding resource, the requirements of the funding source shall take precedence, other than “local preferences” that are allowable under federal regulations.

Daily administration of programs will be under the direct supervision of the Director of HCDD, or their designee. Further processes, such as eligibility, duplication of benefits review, environmental protocols, and award determination, will be administered and implemented by HCDD. The HCDD Finance Division will authorize assistance awards after review and validation of submitted packages by HCDD.

## CDBG-DR NATIONAL OBJECTIVES

In support of the U.S. Department of Housing and Urban Development’s (HUD) recovery objectives, the City of Houston has specifically designed its storm recovery programs to help impacted residents and communities recover from the damage inflicted by Hurricane Harvey. As expressed in the Federal Housing and Community Development Act of 1974, the primary objective of the general Community Development Block Grant (CDBG) program is “the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of Low- and Moderate-Income (LMI).” Community Development Block Grant – Disaster Recovery funding appropriated in response to disasters must meet the general goals of the CDBG program.

The City of Houston Homebuyer Assistance Program (HbAP 2.0) will meet the following two of the three National Objectives defined in the Housing and Community Development Act:

- Benefiting Low- and Moderate-Income Persons (LMI) (80% or less of Area Median Income) by providing housing assistance.
- Meeting an Urgent Need (UN) by providing housing assistance to applicants making over 80% of the area median income (AMI).



All activities funded through the HbAP 2.0 are required to meet one of the National Objectives, except for when HUD provides a waiver.

Key Funding Objective is to provide at least 70 percent of the entire CDBG-DR grant funded by this program must be used for the National Objective of benefitting low- and moderate-income persons and will require close monitoring of the eligibility and award calculation stages.

The City will document how each program and/or activity funded under Urgent Need responds to a disaster-related impact as noted in the Federal Register Notice<sup>1</sup> governing this grant. The City will demonstrate Urgent Need expenditures that respond to the Harvey disaster by retaining documentation from applicants that prove that the applicant resided within the City of Houston's jurisdiction at the time of Hurricane Harvey.

HCDD will publish all Program Guidelines on the City’s dedicated recovery website.<sup>2</sup> All guidelines will initially be published for a 30-day public comment period. Any subsequent changes to the Guidelines, after approval by the Texas General Land Office, will be posted for a minimum of seven days for public comment and the latest version of the guidelines will be made available on the City’s recovery website.

APPLICABLE LAWS & REGULATIONS

Funding Source	Type of Rule	Source
CDBG	Regulation	<a href="#">24 CFR 570</a>
	HUD Exchange	<a href="#">HUD Exchange CDBG Entitlement</a>
	HUD Monitoring Guide	<a href="#">Administration Handbooks</a>
CDBG-DR 2017 Hurricane Harvey	HUD Exchange – CDBG-DR	<a href="#">CDBG-DR Programs</a>
	Public Law 115-31 (Section 421), enacted 5/5/2017	<a href="#">Public Law 115-31</a>
	Public Law 115-56 (Division B), 9/8/2017	<a href="#">Public Law 115-56</a>
	Public Law 115-72, 10/26/2017	<a href="#">Public Law 115-72</a>
	FRN 82 FR 61320 12/27/2017	<a href="#">82 FR 61320</a>

<sup>1</sup> <https://www.federalregister.gov/d/2018-02693/p-160>

<sup>2</sup> <https://houstontx.gov/hcdrecovery/>

FRN 83 FR 5844, 2/9/2018	<a href="#">83 FR 5844</a>
Public Law 115-123, 2/9/2018	<a href="#">Public Law 115-123</a>
FRN 83 FR 40314, 8/14/2018	<a href="#">83 FR 40314</a>

## COMMUNITY ENGAGEMENT

The City of Houston engaged in a robust community engagement strategy to inform Houstonians on the status of the local government’s efforts to secure funding for its long-term recovery from Hurricane Harvey. The City of Houston, through HCDD, is committed to affirmatively furthering fair housing through established affirmative marketing policies.

Particular emphasis will be focused on successful outreach to LMI areas and those communities with minority concentrations that were affected by the storm. Outreach efforts will include special outreach to hard-to-reach populations (e.g., seniors and persons with severe disabilities who either do not have information about the resources or are unable to independently apply for resources).

Efforts will be taken to affirmatively market the Homebuyer Assistance Program as follows:

- Advertise with the local media outlets, including newspapers and broadcast media.
- Reach out to public or non-profit organizations and hold/attend community meetings.
- Measures will be taken by the City to make the CDBG-DR Disaster Recovery Program accessible to persons who are considered members of a protected class under the Fair Housing Act by holding informational meetings in buildings that are compliant with the Americans with Disabilities Act (ADA), providing American Sign Language (ASL) translation when requested, and providing special assistance for those who are hearing or visually impaired when requested.
- Applications and forms will be offered in English and other languages, including Spanish, French, Urdu, Chinese, and Vietnamese, prevailing in the region per Title VI of the Civil Rights Act of 1964, including persons with disabilities (24 CFR 8.6), Limited English Proficiency (LEP) and other fair housing and civil rights requirements, such as the effective communication requirements under the Americans with Disabilities Act. Every effort will be made to assist such applicants in the application process.
- Documentation of all marketing measures used, including copies of all advertisements, announcements and invoices from all media outlets, will be retained and made available to the public upon request.

The City of Houston is required to use the Fair Housing logo in Program advertising, post fair housing posters and related information, and, in general, inform the public of its rights under fair housing

regulations law. Evaluation of outreach activities and applications received will be necessary to determine if outreach is successful and if applications that are being received accurately reflect the socioeconomic and other forms of demographic diversity. Evaluation will be an ongoing process.

HCDD has discretion in the modification and/or addition of requirements to the Affirmative Marketing & Outreach Plan.

## HbAP 2.0 Overview

The Homebuyer Assistance Program (HbAP 2.0) will provide funds for down payment assistance, closing costs, and principal buydown to homebuyers to finance the purchase of a home for residents who resided within the City of Houston jurisdiction on August 25, 2017, at the time of Hurricane Harvey. This program will help improve homeownership affordability for residents affected by Hurricane Harvey.

Homebuyers applying to the HbAP 2.0 may receive assistance subject to funding availability and eligibility requirements, including securing a fixed-rate mortgage loan from the homebuyer's preferred lender (See Section below – [HbAP 2.0 Eligibility Overview](#)). Direct homeownership assistance under 570.201(n) allows the City to pay up to 100 percent of the down payment amount required to meet HCDD's affordability definition. The City may also use other forms of direct homebuyer assistance such as providing up to 6% of closing cost, which may include subsidizing interest rates, and reducing the mortgage principal amount, to achieve an affordable mortgage payment level. The City will provide financial assistance to eligible households in the form of forgivable loans.

Based on household composition and qualified income sources, applicants' income will be evaluated using HUD's most recent Area Median Income (AMI) as published annually by HUD. To verify and determine income eligibility for HbAP 2.0, HCDD will use the Part 5 Method for calculating annual gross income (AGI). Considering current mortgage lending practices, **HCDD has chosen to use the Part 5<sup>3</sup> income verification**, as defined by HUD. Income limits are updated annually and will be published on HCDD's Disaster Recovery [website](#).

All households must meet income criteria to be eligible for assistance and funding must be available. In order to meet this eligibility requirement, households cannot exceed 120% AMI, adjusted for family size, as published annually by HUD.

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<sup>3</sup> [24 CFR 5.609-5.611](#)

## MAXIMUM ASSISTANCE

The maximum amount of homebuyer assistance available per household is up to \$125,000.00 of assistance, based on the financial need of the applicant to reach affordability that does not exceed 33% on the front-end ratio.

## HBAP 2.0 ELIGIBILITY

Activities eligible for CDBG-DR funds include, but are not limited to:

1. Up to 100% of the required down payment assistance based on the type of loan the lender has submitted for the applicant.

**Note:** *The loan type establishes the amount of down payment for the applicant to move forward with the purchase transaction which is the basis for the down payment award amount. The minimum down payment requirement for an FHA loan is 3.5%, Conventional is 5% and VA is 0%.*

2. Reasonable closing costs, not to exceed 6% of the purchase price, which includes pre-paid items such as homeowner's insurance, property taxes, etc.

**Note:** *Closing cost may exceed 6% of the purchase price if the applicant is paying points to buy down the mortgage interest rate.*

3. Principal reduction assistance.

## HBAP 2.0 APPLICANT ELIGIBILITY REQUIREMENTS

This section provides the minimum requirements and income criteria that applicants must meet to be eligible for the City of Houston's CDBG-DR funds, specifically for the HbAP 2.0. All eligibility and verification methods are subject to the City of Houston's HCDD, GLO, and HUD approval.

HCDD may engage HUD Certified Counselors, when applicable, to assist applicants with assessing their financial situation and evaluating options for the full benefits of the offered programs.

### A Citizenship/Residency Requirement

Applicant, co-applicant, and non-purchasing spouse must provide proof of citizenship or permanent resident alien. Acceptable documents include:

- Birth Certificate lawfully issued by a governmental entity in the United States
- Valid U.S. Passport
- Permanent Resident Card issued by United States Citizenship and Immigration Services
- Valid Social Security Card that does not state "Valid for Work Only"

## B. First- Time Homebuyer

HbAP 2.0 assistance is limited to eligible applicants who meet the definition of a First-Time Homebuyer at the time of application.

- A homemaker or single parent who has previously owned a marital home and is now owned by the former spouse.
- An individual who has only owned a property that was not permanently affixed, i.e. mobile home, to a permanent foundation per [Tex Occupation Code 1201.003\(12\)](#).
- An individual who has only owned a property that was not in compliance with state, local, or model building codes, and which cannot be brought into compliance for less than the cost of constructing a new permanent residence.
- An individual who has had no ownership in a residence during the 3 years ending on the date of the purchase of the property.
  - This includes a spouse (If an individual meets the above test, they are considered first-time homebuyers).
  - Individual(s) replacing a home that was lost during Hurricane Harvey.
- Renter who resided in the City of Houston jurisdiction at the time of Hurricane Harvey, on August 25, 2017.

## C. Buyer Contribution and Closing Requirements

- The applicant(s) will be required to provide a minimum cash investment of \$350.00 into the purchase transaction.
  - The minimum cash investment is met when the cost of the appraisal, credit report, inspection, earnest money, and/or cash brought to closing satisfies this requirement.
- The applicant(s) cannot receive any funds back at closing.
- Closing cost cannot exceed 6% maximum, except for the applicant buying points to decrease the mortgage interest rate.
- Debts cannot be paid off at closing.

**Note:** If a debt is required to be paid to meet the HCDD back-end ratio of 45% or below, then the debt must be paid before closing. A supplemental credit report, provided by the lender, is required to show proof of the debt being eliminated before closing.

D. Housing Counseling Requirement

Applicants applying for HbAP 2.0 assistance that meet the definition of a First-Time Homebuyer are required to attend and complete an eight-hour Homebuyer Education (HBE) class with a [HUD-approved housing counseling agency](#) before applying to the Program. Upon the successful completion of the counseling, the counseling agency shall provide the applicant with a dated Certificate of Completion. The applicant is responsible for any costs associated with registering for and completing the counseling and/or homebuyer education class. All HBE certificates must be valid at the time of eligibility determination with HCDD.

The exception to this requirement is if the applicant has previously owned a home and meets the definition of a First-Time Homebuyer (see requirements listed in HbAP 2.0 Applicant Eligibility Requirements, B above).

E. Child Support

Household members (including applicant and co-applicant (as applicable)) 18 years of age or older must be current on child support payments, or an approved payment plan.

F. Legal Guardianship

Household members (including applicant and co-applicant(as applicable)) 18 years of age or older must provide supporting documentation of legal guardianship for all minor household members at or under the age of 17. Acceptable documents include:

- Birth Certificate listing the applicant, co-applicant, and/or household member as the parent
- Legal guardianship documents
  - Birth Certificate
  - Court-order Guardianship signed by a Judge
  - Letter of Guardianship signed by a Judge
- Foster Care Order or Adoption paperwork
- Genetic Test or Acknowledgement of Paternity
- Court Order Child Support

G. Co-borrowers

Co-borrowers listed on the loan must be listed on the application as co-applicants and in the household composition section of the application.

H. First-Time Homebuyer Status

Applicant and co-applicant or non-purchasing spouse (as applicable) must complete the “First-time Homebuyer Status and Certification of Property Ownership” Form.

I. Separated Marital Status

All household members (including applicant and co-applicant (as applicable) aged 18 or older who were previously married must be legally divorced to list themselves as separated from their significant other on the application or single. If an applicant and/or co-applicant is divorced, the HbAP 2.0 staff will request a copy of the divorce decree signed by a judge from the household member.

J. Disaster Tie Back

The HbAP 2.0 must demonstrate how the homebuyer assistance provided to each applicant addresses a disaster-related impact, to do so applicants must submit documentation that supports that they resided in a property located within the City of Houston’s jurisdiction at the time of Hurricane Harvey, August 25, 2017.

Applicants may determine if the property is located in the City of Houston’s jurisdiction before applying by using the property’s address to perform a search at: [City of Houston City Limits Address Verification \(arcgis.com\)](#)

**Renters:**

Acceptable documentation includes, but is not limited to, a lease agreement, utility bill, insurance policy (renter/auto), or bank statement that covers the date of storm impact, August 25, 2017, with an eligible address.

**Homeowners:**

Acceptable documentation of disaster damage can be documented as follows:

- FEMA, Small Business Administration (SBA) or Insurance Award Letters
- If the above-referenced documentation is not available, an inspection report/Damage Assessment (complete with photos of the damage and a written assessment of the damage with each photo taken) conducted by a certified or licensed inspector (HQS, TREC, or similar license) must be supplied by the subrecipients that certifies the damage occurred as a result of the event (refer to the GLO’s Damage Assessment Guidelines found at [www.texasrebuilds.org](http://www.texasrebuilds.org)).
- If FEMA, SBA, or Insurance Award Letters are not available and an inspection report is inconclusive as to the cause of the damage, homeowners may provide alternative evidence, such as neighborhood-level media reports or documentation of damage by disaster response/relief organizations. GLO

approval is required for this form of proof. If an applicant was denied assistance by FEMA, assistance through the CDBG-DR Program may still be available. Applicants are not solely ineligible based on a denial by FEMA.

- If the home was deemed a total loss as a result of Harvey, then show full disposal of owner-occupied residence as demonstrated through a valid FEMA and/or private homeowners insurance policy.

**Applicants 18 years of age or younger (at the time of the storm):**

Applicants who were 18 years or younger or still in high school at the time of Hurricane Harvey, may provide the following documents as proof of residence:

- High school transcripts, report card, or diploma with the applicant's address
- Paycheck stub from an employer that lists the applicant's home address
- Tax Return – applicant/co-applicant must be listed as a dependent on the tax return

**K. Mortgage Loan**

Applicant/Co-applicants must be able to obtain a fixed-rate mortgage loan for the length of the qualifying compliance period based on award amount.

**L. Maximum Home Sales Price**

The program has a maximum sales price of a qualifying home that is based on the current market home sales prices. The program area will review this data every six months.

**M. Duplication of Benefits (DOB)**

Each application will be reviewed to determine if previous applicable funding awarded to the applicant was appropriately used on the home and if any funds were received for the same purpose. The applicant must have an unmet need to move forward in the Program. The City will determine the applicant's unmet need by determining:

1. The total amount needed;
2. The amount of assistance that has or will be provided from all sources to contribute to the total needed; and
3. The difference is the unmet need.

If the assistance from all sources is greater than the total amount needed, the applicant's DOB can then be calculated. Applicants must provide documentation of insurance, Federal Emergency Management Agency (FEMA), Small Business Administration (SBA), and any other type of funding received. Additionally, the City will verify that the submitted documentation is accurate and current at the time of the award, to the extent possible (e.g., validate against FEMA



data). The City will also determine if insurance was required under the terms of the applicant's mortgage or required as a condition of prior federal assistance received, as part of the application review. Private insurance companies will be notified, with applicant approval to contact, to verify/confirm values received as well.

HCDD will ensure compliance with the Stafford Act through the collection, analysis, and verification of third-party benefits received by applicants for purposes of repairs and/or other duplicate services offered through the HbAP 2.0 housing options. Any sources of funds previously received for the same recovery will be deducted based on information obtained from private insurance, SBA, FEMA, and/or volunteer organizations (including in kind assistance) used for the same purpose that the CDBG-DR award is intended to assist. The award amount will be determined by collection of applicable documentation. That amount will be reduced by all previously received funding to determine the final award. Any amounts that are determined to be allowable activities will not be included in the reduction of the final award. Allowable activities will include activities that are excludable from the DOB calculation per the Stafford Act and HUD guidance.

The applicant(s) must repay any assistance later received for the same purpose as those awarded or provided for with CDBG-DR funds. The applicant is obligated to certify they understand this requirement as outlined in detail within the subrogation terms included in the applicant's contract documents with the City, which will also include the following statement:

***Warning: Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001, and 31 U.S.C. 3729.***

To comply with these requirements, the HbAP 2.0 staff enters the applicant's name into the DOB database maintained by the GLO and distributed to HCDD to determine if the applicant received any additional financial funds to ensure that any funds determined to be a DOB are deducted from the final assistance award amount for each applicant across the eligible activities of all programs.

N. Subrogation

Applicant/Co-applicant must agree to a limited subrogation of any future awards related to Hurricane Harvey, to ensure duplication of benefits compliance.

O. Lien

Assistance will be provided in the form of a zero-interest forgivable loan, secured by placement of a lien in the highest allowable position on the applicant(s)' property. Cash-out refinancing and, home equity loans, are not allowed during the compliance period. A violation of this policy will activate the loan repayment terms.

P. Compliance Period

The compliance period for homes purchased will be 5 years for up to \$50,000 of assistance, 8 years for assistance between \$50,000.01 and up to \$75,000, and 10 years for assistance between \$75,000.01 and up to \$125,000 of assistance. The lien on the property will be removed by the City upon completion of the terms and conditions of all documents related to the Program and completion of the compliance period.

Q. Insurance Requirements

Applicant must maintain insurance for the assisted property. Flood insurance will be monitored during the length of the compliance period. Please note, if the property is located in the 100-year floodplain, flood insurance must be obtained on the subject property before closing, evidenced by a declaration page, with an effective coverage date no later than 30 days after closing, and must be maintained on the property during the life of the property, regardless of transfer of ownership, for the property to qualify for federal assistance in the future. Failure to maintain flood insurance may result in the denial of future federal disaster assistance should another event occur.

Flood insurance requirements and transfer parameters must be conveyed in writing with documents evidencing the property transfer and ensuring the new homebuyer understands and accepts all terms and conditions.

R. Death of an Applicant

The compliance period will continue for individuals who inherit program-assisted property after the death of an applicant who benefitted from the Program, including repayment requirements if compliance is not maintained.

S. Outstanding Debts

Applicant/Co-applicants whose credit report indicates that they are delinquent on a federal or federally insured loan, Internal Revenue Service taxes, utility payments applicable to the current or former address(es) or owe the City for City services provided (for example, Houston Public Library fines, City Emergency Medical Services bills, and municipal violations) must satisfy those obligations before program participation.

## HbAP 2.0 Applicant Ineligibility

- Registered Sex Offenders – Applicant, Co-applicant or any adult household member cannot be registered sex offenders.

- Separated Martial Status – Applicant, Co-applicant, and/or adult household member must be legally divorced. Applicants who are separated but not legally divorced cannot apply to the Program without listing their spouse on the application.
- Applicants and/or Co-applicants cannot combine Buyout Assistance funds received from HCDD with HbAP 2.0 funds.
- Applicants, co-applicants, or spouse that have an existing shared interest in a property and/or ownership interest.
- Applicants/Co-applicants not residing in the City of Houston jurisdiction at the time of Hurricane Harvey, August 25, 2017.

## HbAP 2.0 Property Eligibility Requirements

### Eligible Property Types

Eligible property types include any property that will serve as the applicant’s principal residence, including a single-family property, condominium unit/townhouse, cooperative unit, or manufactured home on a permanent foundation. The property must contain only one residential unit. If a property has more than one unit, the property will not qualify for the Program. The Homebuyers Assistance Program will not provide down payment assistance for any property that is tenant-occupied unless the tenant is purchasing the home.

### Property Location

All properties must be located within the incorporated areas of the City of Houston including areas annexed and/or serviced by the City which are subject to pay City property taxes. The determination, on whether a property is located inside the mentioned area can be searched using the address at: [City of Houston City Limits Address Verification \(arcgis.com\)](https://www.cityofhouston.gov/arcgis). The property’s location will be verified by the City of Houston HCDD GIS section to confirm that the location is eligible.

### Property Appraisal

The sale price of the property being purchased cannot be greater than the property’s appraisal value. This will ensure that the cost is reasonable.

### Minimum Property Standards

The property selected by the applicant(s) through the HbAP 2.0, regardless of the funding source, must have a recent Texas Real Estate Commission (TREC) inspection. TREC inspections that are completed while the property is under construction will not be accepted by the Program. The HCDD Single Family inspector will evaluate the TREC inspection report. If deficiencies are present, the inspector will advise

which deficiencies must be addressed. The inspector will also ensure that the unit is free from defects and is decent, safe, and sanitary.

HCDD requires an internal inspection of all units receiving assistance before closing, a qualified City inspector and/or an agent working on behalf of the City will inspect the property to determine whether the property meets the latest HCDD Minimum Construction Standards for Single Family Housing<sup>4</sup>.

A maximum of three property inspections will be conducted. If the home does not meet the requirements after the third inspection, the applicant(s) must select a new property.

HCDD will complete a HUD Environmental Review<sup>5</sup> on the property before the commitment of federal funds by HCDD.

### 100-Year and 500-Year Floodplain

If the property is located in a 100-year flood plain/Special Flood Hazard Area (SFHA), the property must either have been built in compliance with the City of Houston Chapter 19 Ordinance<sup>6</sup> (as amended) or have a National Flood Insurance Program (NFIP) Elevation Certificate demonstrating compliance with the City of Houston's floodplain management ordinances.<sup>7</sup>

Applicants must obtain and provide The National Flood Insurance Program (NFIP) elevation certificate to HCDD. HCDD will obtain a letter from the **City of Houston's Floodplain Management Office**, stating:

1. The property has been reviewed for compliance by its office and
2. Presents no substantial damage project holds or substantial damage determination associations, according to Chapter 19 Code of Ordinance (as amended). Both the NFIP elevation certificate and the letter from the **City of Houston's Floodplain Management Office** will serve as acceptable documentation to confirm that a property's floodplain compliance requirement is met for the HbAP 2.0.

Properties located in a 500-year flood plain are eligible for assistance but are not required to provide additional documentation, except where necessary to document requirements of Chapter 19 governing the Houston Special Flood Hazard Area (HSFHA), which covers the 500-year floodplain in addition to the 100-year floodplain/SFHA.

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<sup>4</sup> HCDD's Minimum Construction Standards are designed to include, expand, and may exceed HUD's Housing Quality Standards and are determined necessary to further define the common definition of "safe, decent, and sanitary housing." Visit [HCDD's website](#) for the latest HCDD Minimum Construction Standards – Single Family Housing.

<sup>5</sup> 24 CFR Part 50

<sup>6</sup> [https://library.municode.com/tx/houston/ordinances/code\\_of\\_ordinances?nodetid=891265](https://library.municode.com/tx/houston/ordinances/code_of_ordinances?nodetid=891265)

<sup>7</sup> Additional information can be found at the [Houston Permitting Center's website](#). Elevation Certificates must be deemed acceptable by the Houston Permitting Center prior to transfer of ownership.

## Lead-Based Paint

All pre-1978 built properties acquired through the HbAP 2.0 must meet all applicable federal standards for lead-based paint as outlined in the HCDD Minimum Construction Standards.

## HbAP 2.0 Ineligible Property

- Outside the City of Houston's jurisdiction
- Located in a floodway
- Tenant-occupied
- 100-year floodplain if the property isn't compliant with COH Chapter 19
- Sales Price is more than Appraised Value
- Property contains 2 or more units

## HbAP 2.0 Loan Terms for Assistance

### A. Eligible Uses of HbAP 2.0 Funds

CDBG-DR funding shall be used to assist income-eligible applicants to acquire either an existing or a newly constructed housing unit. Assistance may be used to pay for:

1. Down Payment;
2. Reasonable closing costs of up to 6%, including pre-paid items such as homeowner's insurance, property taxes, and mortgage interest
3. Subsidize the interest rate, and;
4. Reduce the principal amount of the first mortgage.

### B. Ineligible Uses of HbAP 2.0 Funds

HbAP 2.0 assistance may not be used to pay:

1. Any portion of a real estate agent's fee;
2. Delinquent taxes;
3. Fees or charges on properties that are the result of the seller, including earnest money
4. Purchase properties located in the floodway; and/or
5. Any debt.

### **C. Principal Residence Requirement**

The property **must be occupied as the principal residence by the applicant(s)** throughout the Compliance Period commencing on the date of the Loan Note. A Second Lien Deed of Trust will be obtained to secure the Applicant's compliance with the Compliance period and all other HbAP 2.0 requirements as determined by the Director on behalf of the City. Under the Compliance period, there is no change allowed in use and/or occupancy of the homeowner and the Applicant must comply with all HbAP 2.0 requirements.

If the applicant occupies the property as their principal residence for the entire Compliance period, no recapture requirements will apply. However, if the property is sold (including foreclosure) or rented, the City shall recapture the pro-rated amount of assistance as indicated under the Recapture Requirements.

### **D. Front and Back End Ratio for Underwriting of File**

To ensure affordability is being met, an applicant/co-applicant or non-purchasing spouse, as applicable, must not exceed a front-end ratio of 33%, and a back-end ratio cannot exceed 45%. The front-end ratio is determined by dividing the proposed monthly mortgage payment by the applicant's gross monthly income and multiply by 100. The back-end ratio consists of adding all recurring monthly payments (mortgage, school loans, alimony, child support, car notes, credit cards, etc.) and dividing it by the applicant's monthly gross income and multiplying by 100.

If the applicant's front-end ratio exceeds 33%, the HbAP 2.0 Underwriting Staff will inform the Lender, Realtor, and Applicant. The Lender will work on behalf of the applicant(s) to negotiate the best possible outcome by selecting one or more of the options, including but not limited to:

- 1) Reduce the price of the home;
- 2) Reduce the interest rate;
- 3) Adjust the escrow amount; and/or
- 4) Provide proof of the most current 12-months rental history of an equal to or greater than the amount of the proposed mortgage payment. If this option is selected, a front-end ratio of up to 38% will be considered.

If the applicant(s) back-end ratio exceeds the required 45%, then the HbAP 2.0 Underwriting Staff will inform the Lender, Realtor, and Applicant. They will have the option to reduce the back-end ratio by paying down a debt, which will have to be done before closing. Proof of the pay-off is required prior to funds being set up for closing.

## **E. Liquid Asset Limit**

Applicants/Co-Applicant total household liquid assets cannot exceed \$50,000.00 at the time of eligibility determination and before closing. For this rule, liquid assets are those readily convertible to cash (including but not limited to savings/checking accounts, certificates of deposit, cash equivalents, stocks, bonds, money market instruments, or any other non-retirement investments or assets that are not tax-deferred). The HbAP 2.0 will exclude savings held in a tax-deferred retirement account (e.g. Pension, 401(K), IRA, etc.), and college savings plan (e.g. 529 account).

Waivers may be granted to this requirement in situations where the applicant is

1. Near retirement (within two years or less);
2. Retired; or
3. Permanently disabled where the applicant's ability to work is severely diminished and the applicant is solely dependent on liquid assets to pay for basic living expenses.

Waiver authorizations must be provided in writing by the applicant, citing the justification for the waiver, signed and dated by the Director or his/her authorized designee, and maintained in the client's file. Waiver requirements will be assessed annually.

This requirement will be enforced if an applicant has to be recertified every six months.

## **F. Compliance Period and Recapture Requirements**

The Compliance period refers to the required number of years the property must be the borrower's primary residence. The HbAP 2.0 assistance amount is made available for eligible applicants in the form of a 0% interest, forgivable loan, subject to a 6% loan balance fee in the case of a violation of the loan agreement. The loan does not require monthly payments and is forgiven after a compliance period of 5 years if the assistance is granted up to \$50,000 and an 8-year compliance period if the assistance granted is between \$50,000.01 and 75,000 and a 10-year compliance period if the assistance granted is between \$75,000.01 and \$125,000.

Applicant(s) must occupy the property as their primary residence for the duration of the compliance period. The compliance period shall commence on the date of the Loan Note. Selling (including foreclosure) or leasing the home during the affordability period is considered a default on the loan note and a violation of the Program terms. If the applicant violates the terms and conditions of the loan, HCDD may recapture the entire amount or a portion of the loan, plus a 6% loan balance fee. A deed restriction will be placed on the property that provides for the recapture of the subsidy. The loan balance is forgiven or reduced at a rate of 20% for each completed year of residency, with no credit given for partial years completed. A year will be considered complete at 8:00 AM Central Time on the anniversary of the date of the Loan Note.

Forgiveness of the loan provided will be prorated over the course of the determined compliance

period. The proration percentage will depend on the length of the period (see [Part F of HbAP 2.0 Loan Terms for Assistance](#) below), with 100% of the loan being forgiven and the lien satisfied at the termination of the compliance period.

Should the applicant(s) use the property as a rental, sell, or otherwise convey their ownership interest in the property during the compliance period, the remaining prorated amount of assistance will become immediately due and payable; HCDD will enforce recapture provisions through a lien.

<b>Compliance Period</b>	<b>Loan Forgiveness Rate per Year</b>
5 years for assistance up to \$50,000 (with a lien)	<1 Year – 0%
	Year 1 – 20%
	Year 2 – 40%
	Year 3 – 60%
	Year 4 – 80%
	Year 5 – 100%
8 years for assistance between \$50,000.01 and \$75,000 (with a lien)	<1 Year – 0%
	Year 1 – 12.5%
	Year 2 – 25%
	Year 3 – 37.5%
	Year 4 – 50%
	Year 5 – 62.5%
	Year 6 – 75%
	Year 7 – 87.5%
Year 8 – 100%	
10 years for assistance between \$75,000.01 and \$125,000 (with a lien)	<1 Year – 0%
	Year 1 – 10%
	Year 2 – 20%
	Year 3 – 30%
	Year 4 – 40%
	Year 5 – 50%
	Year 6 – 60%
	Year 7 – 70%
	Year 8 – 80%
	Year 9 – 90%
	Year 10 – 100%



## APPLICATION PROCESS

HCDD will process applications on a first-come, first-serve basis in a manner that affirmatively furthers fair housing objectives by prioritizing funding for households in the City of Houston jurisdiction that were impacted by Hurricane Harvey. Funding will be allocated as follows:

- 70% of funding will be utilized for LMI applicants, up to 80% AMI
- 30% of funding will be utilized for Urgent Need (UN) applicants, from 81% AMI to 120% AMI.

Applicants and stakeholders can visit the Housing & Community Development Department's [Disaster Recovery website](#) for more information or call the central intake telephone number at 832-393-6200.

HbAP 2.0 applications and HbAP 2.0 documents will be offered in English and other languages (upon request for translation) prevailing in the region, including Spanish, Vietnamese, Chinese, Arabic, and French, per Title VI of the Civil Rights Act of 1964. Applications will be offered in a manner consistent with fair housing and civil rights requirements, such as persons with disabilities (24 CFR § 8.6), Limited English Proficiency (LEP) and others, including the effective communication requirements under the Americans with Disabilities Act. Every effort will be made to assist such applicants in the application process. Additionally, Intake Specialists must ensure effective communications with persons with disabilities pursuant to 24 CFR§ 8.6 and other fair housing and civil rights requirements (such as the effective communication requirements under the Americans with Disabilities Act).

When funding for the Program is limited and/or unavailable, the City will communicate in writing, to all applicants in its' current pipeline of the depleted funding. This information will also be published on our website.

### Application Intake Phase

The Application Intake phase will be initiated by the Intake Specialist. Applicants who have met the preliminary criteria through the pre-screening responses will be issued a HAP number and referred to the COH HCDD Disaster Recovery (HbAP 2.0) website to download the Application Document Checklist to identify document types accepted for each eligibility criteria. If the applicant does not have access to a computer, an Application Document Checklist can be requested to be mailed out to the applicant.

Applicants considered eligible through the pre-screening will be able to submit their application and supplemental documents through the following methods. Applications will not be accepted via email or mail.

- Applicant portal
- In person drop-off

Communication will be a top priority, and every effort will be made to stay in communication with the applicant. However, it will be up to the applicant to ensure they are responsive to all requests for information. Contact attempts will be made via phone and email. Applicants must submit an apply along with the supplementary documentation listed on the COH HCDD Disaster Recovery Website checklist within 30 to 45 calendar days of the issuance of a HbAP 2.0 number or the file will be automatically withdrawn.

Applicants who provided an email address during the pre-screening process and have submitted an application will be given a total of 30 calendar days to complete the intake process.

Applicants who do not provide an email address during the pre-screening process and submitted an application will be allotted additional processing time to account for USPS mailing timeframes. Those without an email will be contacted and encouraged to provide an email address, and/or 45 calendar days to complete the intake process.

If applicant(s) have not provided the minimum documents listed on the HbAP 2.0 document checklist in the allotted time frame the applicant(s) will be automatically withdrawn from the active HbAP 2.0 “Interest” list, requiring applicant to re-apply.

#### Application Submitted Phase

When an Applicant/Co-applicant has met the minimum document threshold their file will move to the next stage in the process and will be assigned an Intake Specialist.

The Intake Specialist will review all documents and, if necessary, will send a request for any other additional program forms and/or supplemental documentation needed. The applicant will have 10 business days from the date of request to collect and/or provide the requested information.

Efforts will be made to assist applicants to complete the application submitted within this timeline. Extensions will be reviewed on a case-by-case basis and must be formally made in writing by the applicants.

Intake Specialists will aid applicants and/or their designated communication designee by communicating the Program’s housing options, determining eligibility, execute necessary documentation, and closing out the project while decreasing barriers to participation in the Program.

#### Income Eligibility

Throughout these guidelines, the term “Annual Income” is used to refer to annual (gross) income calculated using the [24 CFR §5.609](#) definition. Based on the household composition and qualified income sources, applicant(s)’ income will be evaluated at the time of eligibility determination using HUD’s most

recent Area Median Income (AMI) as published annually by HUD and may be re-evaluated before closing if a 6-month recertification is due. The HUD established Income limits are updated annually and will be published on HCDD's website. The HbAP 2.0 staff will refer to the Technical Guide for Determining Income and Allowances for the program when uncertainties arise when calculating annual (gross) income.

*Annual Income includes, but not limited to (24 CFR 5.609 a):*

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount<sup>8</sup> (e.g., Black Lung Sick benefits or Veterans Disability).
4. Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts (in accordance with Part 5 requirements) received from organizations or from persons not residing in the dwelling.
5. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets over \$50,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;
6. If the property being purchased has more than 1 unit, not exceeding 4 units, with the intention of any of the additional units being utilized as rental property, the anticipated income from that unit must be included as income. This will be calculated as anticipated income using a current lease agreement and/or HUD's Fair Market Rents data.

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<sup>8</sup> Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts will not be included as income.

*Annual Income does not include the following but is not limited to (24 CFR 5.609 b):*

1. Income from employment of child (including foster children) under the age of 18 years.
2. Payment received from the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who can live alone).
3. Earnings over \$480 for each full-time student 18 years or older (excluding the head of household and spouse).
4. Adoption assistance payments over \$480 per adopted child.

### **Power of Attorney**

If the applicant(s) choose to have an individual act on their behalf and sign off on documents, the applicant(s) must provide an executed Power of Attorney document that has been recorded with the County Clerk's office. The document must identify the property address and legal description of the property being purchased under the Program.

### [Communication Designee](#)

Applicants have the option to designate an individual inside or outside their household (family friend, realtor, lender, etc.) to make inquiries or assist with the completion of the application and supporting documents. The Communication Designee is not allowed to sign any documents on behalf of the applicant unless a valid Power of Attorney is in place. If an applicant chooses to designate an individual, they must complete the Communication Designee form. This form can be provided at any time during the application process.

### [Property Selection](#)

Applicants are allowed 90 calendar days to select and close on a property from the date of the "Conditional Reservation Letter" is issued, which is after eligibility determination has been made. The Conditional Reservation Letter will be emailed and/or mailed to the applicant and their communication designee, if applicable. If an applicant is unable to select and close on a property within 90 calendar days, the file will be administratively withdrawn. HbAP 2.0 will make two attempts (the first attempt will be at 30 calendar days and the second at 60 calendar days) to advise the applicant of the timeframe remaining either via email, mail, or over the phone before a file is administratively withdrawn.

The underwriting team may grant a 30-calendar day extension to provide applicants additional time to select and close on a property. Extensions will be granted on a case-by-case basis and will not exceed a total of 60 calendar days. Applicants' requests for additional time to select and close on a property must be submitted in writing to the HbAP 2.0 staff 5 calendar days before the expiration date on the Conditional Reservation Letter. If applicants are unable to select and close on a property within the allowable timeframe, the applicant's file will be administratively withdrawn.

Property Selection requires the applicant(s)' lender to upload the "minimum" documents (subject to change) listed on the HbAP 2.0 upload portal:

- Tri-Merged Credit Report (Applicant, Co-Application and Non-Purchasing S
- Intent to Proceed
- Loan Disclosure Form
- Loan Application Form (1003 Form)
- Property Data Sheet
- Notice to Seller/Buyer
- Transmittal Summary (1008 or 92900 Form)
- Sales Contract
- Seller's Occupancy Form
- Loan Estimate
- Uniform Residential Appraisal Report
- TREC Inspection

Upon receipt of the required documents, HbAP 2.0 will deem the file as having "Property Selection" complete.

#### Administrative Withdrawals

Applicants may be administratively withdrawn for multiple reasons, including, but not limited to:

- Application and supplemental documents were not submitted within 30 calendar days (if the applicant has an active email on file) or 45 calendar days (if an email address is not on file) of the issuance of an HbAP 2.0 number.
- Failing to provide additional documents upon receipt of a verbal or written request from HbAP 2.0 within 10 calendar days or by the extension deadline.
- Irate conduct towards HCDD staff and their representatives or affiliates.
- Committing any act of fraud, waste, or abuse, which includes, but is not limited to, falsifying information or documentation and failing to disclose information.

#### In-Eligible/Denials

Applicants who have been deemed ineligible will not be eligible to re-apply for a minimum of 180 calendar days from the date of the denial letter. An applicant can be deemed *ineligible* for multiple reasons, including but not limited to:

- Failure to meet income eligibility requirements
- Duplication of Benefits

- The Program confirms an application is a duplication of other valid applications within the same program or results in an overlap of other program funds that cannot be combined.
- Incomplete applications

## Financial Management

The City of Houston, as a CDBG-DR recipient, is required to follow the financial administration requirements outlined in [2 CFR Part 200](#). These standards help ensure that the financial systems put in place by the City:

- Provide adequate, current, and complete disclosure of the financial results (regular financial reporting) of all financially assisted activities, per the financial reporting requirements of the grant;
- Document funds used only for authorized purposes (For CDBG-DR, this includes not only eligible activities but that the funded projects meet a National Objective.);
- Maintain accounting records that show the sources and uses of funds, displaying funds authorized, obligated and unobligated balances, assets, liabilities, outlays, or expenditures and income;
- Establish effective internal controls over all cash, real and personal property, and other assets acquired with program funds;
- Track actual program cost against program budget in a manner that relates to program productivity and accomplishments;
- Use Uniform Administrative Requirements outlined in 2 CFR 200 principles to determine whether program costs are reasonable, allowable, and can be allocated, either directly or indirectly;
- Maintain source documentation for accounting records;
- Implement procedures for cash management that permit the timely disbursement to applicants and subrecipients and complete accurate monitoring and reporting;
- Comply with 2 CFR 200 Subpart F ; and
- Conduct single or program-specific audits in accordance with the applicable federal requirements. Vendors and contractors employed by the City will be required to comply with the audit requirements as applicable.

## Procurement

If goods or services are procured in connection with this Program, the City of Houston will provide adequate documentation to show that the selection process was carried out in an open, fair, uniform,

and thorough manner to ensure that federal (2 CFR §§200.318–200.326) and state procurement requirements were met.

It is important to note that failure to maintain proper documentation may result in disallowed costs that will be ineligible for reimbursement by the GLO. These records must include, but are not limited to, the following information:

- Rationale for the method of procurement;
- Evaluation and selection criteria;
- Contractor selection or rejection; and
- The basis for the cost or price.

During the procurement process, the City will identify any items included in the bid/purchase that are not included in the CDBG-DR agreement with GLO. The City may utilize HUD’s CDBG-DR and Procurement Guidance.<sup>9</sup>

These procurement requirements must be followed for reimbursement from grant allocations of CDBG-DR funds provided by HUD. The City is also required to follow state and local procurement law and policies.

Additionally, the GLO may review draft solicitations or responses before award for compliance. The City will clearly identify during the procurement process any items included in the bid/purchase that are not included in the CDBG-DR contract.

Regardless of the type of procurement used, the City must execute a contract to document the period of performance, the work to be completed, the agreed price, and contractor or provider’s required compliance with all applicable federal, state, and local requirements that subrecipients and the state must follow. If there is a conflict between federal, state, and local laws and regulations regarding procurement, the more stringent law or regulation will apply.

Additionally, the City is required to achieve compliance with Section 3 (24 CFR Part 135). It is strongly suggested that HUD’s best practices be utilized to help achieve compliance (HUD Model Section 3 Plan), including creating a Section 3 plan. The City is also required to “take all necessary affirmative steps to assure that minority businesses, women’s business enterprises, and labor surplus area firms are used when possible.”<sup>10</sup>

Furthermore, HUD requires the GLO to maintain a comprehensive public website that provides information for individuals and entities awaiting assistance and the general public to see how all grant

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<sup>9</sup> <https://www.hudexchange.info/resource/5614/buying-right-cdbg-dr-and-procurement-a-guide-to-recovery/>

<sup>10</sup> [HUD 2 CFR §200.321](#)

funds are used and managed/administered. To meet this requirement, the City will make the following applicable items available for the State to post on the GLO's website at: <http://recovery.texas.gov/>:

- Procurement policies and procedures;
- Description of services or goods currently being procured by subrecipients; and
- City and state administrative contracts and a summary of all procured contracts (as defined in 2 CFR §200.22), including those procured by the City or the State (e.g., a summary list of procurements, the phase of the procurement, details of ongoing procurement processes, requirements for proposals, and any liquidation of damages associated with a contractor's failure or inability to implement the contract, etc.).

Updated summaries must also be posted monthly on the website in accordance with HUD guidance.

## Program Income

Any program income earned as a result of program-funded activities will be subject to the rules outlined in Federal Register notice 83 FR 5844. Program income received before closeout of the CDBG-DR grant will be subject to CDBG-DR requirements and must be used in accordance with the City's Harvey CDBG-DR Local Action Plan. To the maximum extent feasible, HUD requires that program income shall be used or distributed before additional withdrawals from the U.S. Treasury are made. The HbAP 2.0 does not anticipate any program income.

## Responsible Parties

The roles and responsibilities described below are related to the financial management of the City of Houston's CDBG-DR allocation for Hurricane Harvey. These descriptions are not intended to be an exhaustive list of activities performed by each entity in relation to the CDBG-DR grant or in general.

### **Finance Department**

The Strategic Procurement Division (SPD) is housed within the City of Houston's Finance Department and is responsible for procuring goods and services for CDBG-DR funded activities.

### **The City Controller**

The Office of the City Controller certifies the availability of funds prior to City Council approval of City commitments, processes and monitors disbursements, invests the City's funds, conducts internal audits of the City's departments and federal grant programs, operates and maintains its financial management system, conducts the sale of public improvement and revenue bonds and produces a comprehensive annual report of City finances - Comprehensive Annual Financial Report (CAFR). The Controller will be responsible for providing a variety of approvals for release of CDBG-DR funds as payment to contractors and beneficiaries.



### **Housing and Community Development Department (HCDD)**

HCDD is the grant manager for Houston's Hurricane Harvey CDBG-DR allocation and is responsible for administering all programs outlined in the City's Local Action Plan.

#### **Single Family Division**

This division within the Housing and Community Development Department is . for program development, oversight, operations, and community outreach.

#### **Finance Division**

This division is responsible for processing CDBG-DR grant funding through the Systems Applications and Products (SAP), performing draws in HUD's Integrated Disbursement Information System (IDIS) and Disaster Recovery Grant Reporting (DRGR) System, and reconciling budgets and expenditures. This division is also responsible for processing payment requests in SAP and federal reimbursement requests to the GLO to be realized in the City's budget.

#### **Planning and Grant Reporting Division**

This division is responsible for the City's CDBG-DR Local Action Plan, Local Needs Assessment, program applications, other rated planning documents, substantial amendments, project/activity budget set-up and completion in IDIS and DRGR and related reporting to HUD and GLO.

## Environmental Review

Per HUD regulations, all applicable statutes and requirements including the National Environmental Policy Act at 24 CFR Part 58, HCDD must perform, and complete Environmental Reviews of Hurricane Harvey CDBG-DR funded proposed programs, projects, and activities located within the incorporated areas of the City of Houston. These funds will be administered by the GLO. With the City of Houston as a responsible entity, the HCDD Environmental team will perform an environmental review on HbAP 2.0 properties subject to an environmental review and approval by GLO, as determined necessary and appropriate. HCDD maintains all applicable ERRs that demonstrate environmental compliance of GLO-approved activities.

HCDD's ERR will compile all levels of environmental review documentation required under 24 CFR Part 58. This includes HUD required forms and checklists submitted and approved by GLO for activities determined exempt according to 24 CFR 58.34 or those that are Categorically Excluded Activities Not Subject to the Section 58.5 Statutes (24 CFR 58.35(b)). These forms and checklists contain documentation of compliance with the statutes and regulations listed at 24 CFR 58.6 (Floodplain Disaster Protection Act of 1973, Coastal Barriers Resources Act, as amended by the Coastal Barrier Improvement Act of 1990, Runway Clear Zone or Runway Protection Zone, and Clear Zone Disclosures). The ERR will also contain GLO-approved site-specific environmental assessments of proposed actions per 24 CFR § 58.40.

While not currently anticipated, certain proposed actions undertaken by the City with CDBG-DR funds may be determined to have a potentially significant impact on the human environment and, therefore, require an Environmental Impact Statement, per 24 CFR part 58.37. In the event such an effort becomes necessary, all required documentation developed during the process would also become part of HCDD's ERR.

Any changes in HUD environmental regulations will have the potential to impact HCD Guidelines, including HbAP 2.0 Guidelines. Updates to GLO policies have the potential to impact HCD Guidelines as well. As a rule, the latest, most up-to-date regulations control unless provided otherwise by HUD.

## Cross Cutting Federal Regulations

This program will be designed and implemented in compliance with cross-cutting federal regulations when applicable, including:

### Americans with Disabilities Act (ADA)

The Americans with Disabilities Act of 1990 (ADA) prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, state, and local government services, public accommodations, commercial facilities, and transportation. It also mandates the establishment of telecommunications devices for the deaf (TDD)/telephone relay services.

HCDD takes affirmative steps to ensure that people with disabilities have equal access to the programs offered by HCDD and that any services are delivered in the most integrated manner possible. HCDD's mandate to conform to the requirements of ADA flows down to every stakeholder, including sub-recipients, vendors, and developers.

### Federal Labor Standards

The HbAP 2.0 is designed to offer eligible applicants assistance to purchase a home. The HbAP 2.0 does not evoke the Davis Bacon and Related Acts (also referred to as labor standards).

### Fair Housing

The Fair Housing Act protects people from discrimination when they are renting or buying a home, getting a mortgage, seeking housing assistance, or engaging in other housing-related activities. No person shall be excluded from participation in, denied the benefit of, or subject to discrimination in any housing program or activity because of age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability, or marital status. Applicants who feel they have been discriminated against can contact the HCDD Tenant/Landlord Hotline: 832-394-6200 option 1.

Additional reports of housing discrimination can be made to the Department of Housing and Urban Development - Fair Housing & Equal Opportunity.

Discrimination inquiries and/or complaints:

1-800-669-9777 (Voice)

1-800-927-9275 (TTY)

HUD Local 713-718-3199 (Ask for a FHEO)

<https://www.hud.gov/states/texas/working/fheo/houston-contacts>

Texas Workforce Commission

Civil Rights Division

1-888-452-4778 (Voice)

1-800-735-2989 (TTY)

## Limited English Proficiency

Federal Executive Order 131661 requires HCDD and all satellite offices, programs, subrecipients, contractors, subcontractors, and/or developers funded whole or in part with CDBG-DR financial assistance to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or deaf or hard of hearing.

HCDD ensures fair access through the implementation of a Language Assistance Plan (LAP), which includes non-English-based outreach, translation services of vital documents, free language assistance services, and staff training. Refer to the “Language Assistance Plan” Provision of Language Assistance Services for additional guidance and protocols.

## Residential Anti-Displacement

HbAP 2.0 does not plan to administer activities that will cause a direct or indirect displacement of persons or entities.

## Uniform Relocation Act and Real Property Acquisition

The acquisition of real property using CDBG-DR federal funds, as administered by HCDD, is subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA) and/or Section 104(d) of the Housing and Community Development Act of 1974. The applicable federal regulations are located at 49 CFR Part 24 (URA), 24 CFR Part 42, Section 104(d) of the Housing and Community Development Act (42 USC § 5304(d)), and in the Tenant Assistance, Relocation and Real Property Acquisition Handbook (HUD Handbook 1378). The February 9, 2018, Federal Register Notice (FR-6066-N-01) waived the one-for-one replacement requirements at Section 104(d)(2)(A)(i)-(ii) and (d)(3) and 24 CFR § 42.375.

Subrecipients or contractors must provide the following benefits to households or businesses that they displace:

- Relocation advisory services;
- A minimum of 90-day notice to vacate;
- Reimbursement for moving expenses; and
- Payments for added cost of renting or purchasing comparable replacement housing.

HCDD programs will be subject to the URA and Section 104(d) and will include the CDBG-DR programs. HCDD policies and procedures, Notice of Funding Availability (NOFA), applicant certifications and/or written agreements for funds subject to the URA and Section 104(d) shall refer to federal and state rules, as appropriate.

The Homebuyers Assistance Program will not provide down payment assistance for any property that is tenant-occupied unless the tenant is purchasing the home. In the event an applicant/buyer selects a home that is tenant-occupied, HbAP 2.0 will require the applicant/buyer to select an alternative property that does not have a tenant. HbAP 2.0 will provide the applicant/buyer and/or the lender with a Seller's Occupancy Certificate to be signed and dated by the seller and a Notice to Seller to be signed and dated by the seller and buyer. The sole purpose of the Seller's Occupancy Certificate is to indicate the property location and its status, as it relates to any potential tenant(s) occupancy. The purpose of the Notice to Seller is to inform the seller of provisions under the Uniform Relocation Assistance and Real Property Acquisition Policies Act, as amended (URA) at [49 CFR 24.101\(b\)\(2\)](#). The signed and dated forms must be submitted to HbAP 2.0 once a property has been identified.

## Insurance and Property Management

The Insurance and Property Management provisions at 2 CFR 200.310 require all property owners of projects assisted with federal funds to procure and maintain insurance for the duration of the agreement to protect all contract assets from loss due to any cause, such as theft, fraud, and physical damage. If federal funds are used to acquire real property or personal property, the property owner is responsible for ensuring compliance with 2 CFR 200.311:

- The property continues to be used for its intended (and approved) purpose;
- Property is tracked and taken care of; and
- HCDD is reimbursed for the sell or disposition of the property during the contract for the share of the property's value according to the agreement.

## Record Keeping, Retention, and File Management

Per HUD regulations, the GLO as the grantee, and HCDD as the sub-grantee and prime recipient of CDBG-DR funds follow the records retention requirements cited in 2 CFR §200, which includes financial records,

supporting documents, statistical records, and all other pertinent records. HCDD establishes recordkeeping and retention requirements in its subrecipient and contractor agreements per the guidelines stated in 24 CFR §570.503(b)(2).

## Reporting

As a recipient of CDBG-DR funds, HCDD, working with the GLO, will establish reporting requirements per 24 CFR §570.503(b)(2). HCDD has established its reporting requirements per the provisions as found in 24 CFR §200, as applicable:

- At execution of agreements;
- Monthly;
- Quarterly;
- Annually; and
- As required.

HCDD will capture and report applicant data relevant to HUD and in compliance with the GLO's CDBG-DR Program, including but not limited to:

- Applicant's household income at the time of application.
- Household income as a percentage of AMI at the time of application, as defined by HUD;
- The race, ethnicity, and gender of the head of household;
- The household's familial status;
- The presence or non-presence of a household member with a disability; and
- The presence or non-presence of a household member who is a veteran.

## Record Retention

Record retention is a requirement of the Program. Records are maintained to document compliance with program requirements and federal, state, and local regulations and to facilitate a review or audit by HUD. The HCDD Records Management seeks to ensure that:

- HCDD complies with all requirements concerning records and records management practices under federal and state regulations;
- HCDD has the records it needs to support and enhance ongoing business and citizen service, meet accountability requirements, and community expectations;
- These records are managed efficiently and can be easily accessed and used for as long as they are required.
- Up-to-date, comprehensive files (which begin with application and eligibility and end with program closure) should be maintained.

- Grantees are required to maintain all CDBG-DR and/or CDBG-NDR records for a minimum period of 5 years after HCD notifies Grantees that the HUD/HCD contract has been closed.
- GLO requires that the record retention period for CDBG-DR and CDBG-MIT Subrecipient Agreements be 3 years after the GLO closes the contract with HUD.

These records are stored as cost-effectively as possible and when no longer required they are disposed of in a timely and efficient manner based on HUD Handbook 2225.6, Records Disposition Schedules, and HUD Handbook 2228.2.

## File management

The HCDD Records Management section assists with ensuring that:

- HCDD complies with all requirements concerning records and records management practices under federal and state regulations;
- HCDD maintains the records needed to support and enhance ongoing business and citizen service, meet accountability requirements, and community expectations; and
- HCDD ensures that documents are stored as long as they are required.

## Access to Records (State – City)

24 CFR §570.490 Recordkeeping requirements:

1. Representatives of HUD, the Inspector General, and the General Accounting Office shall have access to all books, accounts, records, reports, files, and other papers, or property about the administration, receipt, and use of CDBG funds and all necessary items to facilitate such reviews and audits.
2. The State shall provide citizens with reasonable access to records regarding the past use of CDBG funds and ensure that units of general local government offer the same transparency consistent with State or local requirements concerning the privacy of personal records.

The availability of records is subject to the exemptions to public disclosure outlined in Section 87(2) of the Public Officers Law. All Freedom of Information Law (FOIL) requests under the Public Officers Law must be made in writing to the Records Access Officer and will be processed per the procedures set forth therein.

## Audit Requirements

This program is subject to an audit at the federal, state, and local levels. HUD, HUD’s Office of Inspector General, the U.S. Government Accountability Office (GAO), the GLO and the City of Houston’s Finance Department (typically via a contracted third party) all have the authority to audit this program. All

auditors are independent of HCDD and report either to their respective authorities at the federal level or to the Mayor of Houston.

In accordance with Subpart F of 2 CFR §200, non-federal entities that expend \$1,000,000 or more during their fiscal year in federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions therein. HCDD is responsible for conducting reviews of these single or program-specific audit reports and for coordinating the issuance of management decisions for audit findings relating to HCDD-provided federal funds.

## Fraud, Waste and Abuse

HCDD will assess all program systems and processes as outlined in its policies and standard operating procedures. Anyone with information regarding known or suspected misappropriation of funds or resources is encouraged to report the information via email to [housingfraud@houstontx.gov](mailto:housingfraud@houstontx.gov).

When a fraud, waste, and abuse allegation against an applicant/co-applicant is sustained, the applicant/co-applicant will be subject to 10 years of suspension from participating in any HCDD contracts, grants, or other government-related programs and activities.

## Conflicts of Interest

HCDD will follow the federal Conflict of Interest provisions in addition to the guidance provided in the City of Houston's Administrative Policy 2-22: Conflict of Interest that establishes the policy for how conflict of interest will be handled and the HCDD #01-40 Non-Procurement Conflict of Interest Policy that outlines the process for waivers.

Program participants must complete and sign a Conflict-of-Interest Disclosure before funds are expended. This disclosure requires program participants to disclose, under penalty of perjury, their immediate family members or business partner(s) currently employed by the City of Houston or were employed by the City within the past year.

**Note:** "Immediate family members" means and includes (whether by blood, marriage, or adoption) the spouse, parent (including a stepparent), child (including a stepchild), sibling (including a stepsibling), aunt/uncle, niece/nephew, grandparent, grandchild, great grandparent, great-grandchild, and in-laws with the same titles

The Program requires all program staff to disclose any relationship with an applicant. Program staff, who disclose such relationships, are placed in roles where there is no opportunity for them to display favoritism or collude for a financial benefit or otherwise benefit themselves or the applicant.

HCDD may consider requesting that the GLO apply for an exception to the conflict of interest provisions per 24 CFR § 570.489(h)(4) if HCDD has determined that the subrecipient, vendor, or contractor has adequately and publicly addressed all the concerns generated by the conflict of interest and that an exception would serve to further the purposes of Title I of the Housing and Community Development Act of 1974, as amended and the subrecipient has complied with the requirements listed in 24 CFR 570.489(h)(4)(i) and (ii). HCDD considers whether the exception provides a significant cost benefit or essential degree of expertise; whether the opportunity was provided for under open competitive bidding or negotiation; whether the person affected is an LMI person; whether the affected person has withdrawn from his or her functions or responsibilities; whether the interest or benefit was present before the affected person was in a position to benefit from the conflict of interest; or whether undue hardship results from failure to grant the exception.

## Confidentiality/Privacy

The Program is committed to protecting the privacy of all individual stakeholders, including the public and those individuals working on the Program. The Program's policies describe how information is to be handled and protected. The purpose of this privacy policy is to establish when and under what conditions certain information relating to individuals may be disclosed.

The data collected from applicants for the Program may contain personal information on individuals that are covered by the Federal Privacy Act of 1974, as well as applicable state laws. These laws provide for confidentiality and restrict the disclosure of confidential and personal information. Unauthorized disclosure of such personal information may result in personal liability with civil and criminal penalties. The information collected may only be used for limited official purposes:

- Program staff may use personal information throughout the award process to ensure compliance with program requirements, reduce errors, and mitigate fraud, waste, and abuse.
- Independent auditors, when hired by the Program to perform a financial or programmatic audit of the Program, may use personal information in determining program compliance with all applicable HUD and federal regulations, including the Stafford Act, CDBG-DR requirements, and State and local law.
- HCDD may disclose personal information on an applicant to those with official Power of Attorney for the applicant or for whom the applicant has provided written consent to do so.
- Organizations assisting HCDD in executing the CDBG-DR Program must comply with all federal and state law enforcement and auditing requests. This includes, but is not limited to, HUD, FEMA, FBI, Office of the Comptroller, and the Office of the Inspector General.

Per HCDD Policy #01-41 Personally Identifiable Policy, HCDD is committed to protecting the privacy of all individual stakeholders, including the public and those individuals working on the Program. HCDD



policies describe how information is to be handled and protected. In the event of a data breach, HCDD will follow procedures outlined in the HCDD SOP #01-10 Data Breach SOP to provide support to applicants and/or program participants when an unauthorized release of personal information occurs.

## Monitoring

HCDD's Compliance and Monitoring Plan (Plan) outlines principles of governance, standards, and management, supporting the City of Houston's (City) Homebuyer Assistance Program. The Plan is mandated to establish a coherent governance structure, management standards and content requirements for policies and processes to manage compliance risk factors of the Program.

The Plan outlines the activities required by the City and the records required to document these activities. In addition to monitoring, this includes activities required to correct any issues raised as part of the monitoring process and documentation of activities required to remedy these issues. The Plan also aims to do so in a way that balances HCDD's need to examine a sufficient sample of all Program applications processed by contractors against the constraint of limited resources within the City for this purpose.

Compliance monitoring is necessary to validate the key assumptions, data sources, and procedures used in measuring and monitoring compliance risks and to confirm controls are working as intended. HCDD will formulate its own monitoring plan and tools, which will encompass all compliance-related issues that are specified in the Guidelines and Standard Operating Procedures (SOP).

## Program Closeout

HCDD-assigned program staff will coordinate all required file documentation with applicants, lenders, realtors, and title companies to ensure completion of program requirements and submit for approval of completion, closeout, and proper record keeping. In addition, HCDD will maintain monitoring staff to assist program closeout through compliance periods.

## Complaints & Appeals

The City of Houston Housing and Community Development Department (HCDD) accepts complaints and appeals regarding HCDD-funded programs, developments, and/or activities. The following sections outline the complaint and appeals processes.

## Contact Information

City of Houston Housing and Community Development Department  
ATTN: Complaints and Appeals  
2100 Travis Street, 9<sup>th</sup> Floor

Houston, TX, 77002

Phone: 832-394-6200 Option 2

Email: [hcddcomplaintsappeal@houstontx.gov](mailto:hcddcomplaintsappeal@houstontx.gov)

Business Hours: Monday – Friday, 8:00 AM – 5:00 PM

## Complaints

HCDD welcomes feedback and complaints from any member of the public. Complaints are accepted in writing or over the telephone. Complaints will be responded to in writing within 15 business days, as practicable.

For more information, please refer to the HCDD website, [www.houstontx.gov/housing/complaints.html](http://www.houstontx.gov/housing/complaints.html).

## Appeals

### Appeal Request

All program applicants have the right to appeal a determination made by the Housing and Community Development Department (HCD). Applicants have the right to appeal decisions made on their program file based on the following reasons:

- Denied services through any of HCDD's programs
- Program eligibility determination
- Program award calculation
- Procedural error where the application was not processed by program staff per the Program Guidelines
- Affirmatively Furthering Fair Housing

Appeal requests are accepted in writing via email at [HCDDComplaintsAppeal@houstontx.gov](mailto:HCDDComplaintsAppeal@houstontx.gov), mailed or delivered letter, online [Appeal Request](#) form, or using the paper form at the HCDD office. Appeal Requests must be submitted within 30 calendar days of the notice of determination. To be considered complete, an appeal request must contain the following information:

- Name
- Property Address
- Mailing Address (if different from Property Address)
- Phone
- Application number (if applicable)
- Email Address
- Reason for Appeal (consistent with the reasons listed above)

## Appeals Process

Tier 1 Appeals are the initial determination appeals, in which the program area will review all documentation submitted and either reiterate the initial determination or approve your appeal and overturn the determination. Appeals will be responded to in writing within 30 calendar days.

When a program applicant does not agree with the decision made in the initial appeal, program applicants have the right to request a Tier 2 Appeal. If the request is approved, the Appeals Review Committee (ARC) will review all documentation and the supporting documents you send to support your appeal and make a final decision. The appellant may only escalate the appeal after the completion of the initial program area process. The ARC will process the escalated appeal within thirty (30) days, as practicable. The ARC will transmit its decision to the appellant in writing.

**Note:** *The appellant may only escalate an appeal after completing the preceding Appeal. Additionally, the reason for the Tier 2 appeal must be for the same reason for the Tier 1 Appeal.*

HCDD will keep a record of each appeal received and include all communications and their resolutions. For more information regarding HCDD's Appeal Process, please visit <https://houstontx.gov/housing/appeals.html>.

### **Texas General Land Office**

Should the appellant not be satisfied with the outcome determined by the ARC, they have the option to dispute the decision by sending an appeal in writing to the Texas General Land Office (GLO). The appellant has 30 days to submit an appeal directly to GLO following receipt of the ARC's decision regarding their appeal.

If no word on a pending appeal is received by HCDD within the appropriate timeline from GLO, HCDD will designate the appeal decision made by the Appeals Review Committee as the final decision and consider the matter closed.

### **GLO Mailing Address**

Texas General Land Office  
PO Box 12873  
Austin, TX 78711-2873  
ATTN: GLO-CDR

### **GLO Email Address**

[cdr@recovery.texas.gov](mailto:cdr@recovery.texas.gov)

### **GLO Telephone**

(844) 893-8937  
(512) 475-5000

## **GUIDELINE AMENDMENTS, WAIVERS, AND PUBLIC COMMENTS**

As the Homebuyer Assistance 2.0 Program (HbAP 2.0) matures, there may be requests for waivers and alternative requirements to these Guidelines. These guidelines may be amended either administratively or by a vote from the Houston City Council per [HCDD Policy #01-01: Governing Documents](#) and consolidated, reviewed, and approved by the GLO.

To request a waiver, HCDD must submit a written request on HCDD letterhead that includes the following:

5. The Guideline for which the waiver applies
6. The requirement to be waived or altered
7. Alternative requirement or language
8. Detailed statement of how the request is necessary to address unmet recovery needs

### ***General Program Waiver Request***

A General Program Waiver request includes a requested change to the Guidelines for administrative, eligibility, national objective, expenditure deadline, or overall benefit requirements, for which approval from the GLO is needed within 30 days. The request must demonstrate that the funds will be used for an eligible CDBG-DR eligible activity and meet a national objective.

Waivers of this category must be published for 7 calendar days, and public comment received and addressed before implementation.

### ***Emergency Waiver Request***

An Emergency Program Waiver Request is a requested change to the Guidelines for administrative, eligibility, national objective, expenditure deadline, or overall benefit requirements that must be implemented as soon as possible, for example, to resolve or prevent a compliance issue. An Emergency Waiver Request must be submitted to GLO immediately and a response should be received from GLO within 5 business days.

In the case of requests that must be routed to HUD for approval, it is expected that GLO and the City of Houston will request an expedient response. If the request will not be approved before the anticipated or necessary implementation timeline, GLO must notify the City of Houston via an official letter of the necessary escalation to HUD and anticipated timing.

Additional requirements may be requested as required for submission depending on waiver type and category.

## Definitions

*Acquisition:* Acquisition of Real Property at post-disaster fair market value (FMV) of the land and structures that allows the City to acquire real property for any public purpose, as outlined in 24 CFR 570.201(a). Acquisition-only is typically not considered a complete activity in the Program and may be combined with another eligible activity (i.e., relocation assistance and new construction of housing). Methods of acquisition include purchase, long-term lease (15+ years), donation or otherwise (CPD Notice 17-09). The City has the flexibility to hold any property purchased through acquisition as undeveloped green space in perpetuity or to redevelop it in a resilient manner.

*Adjusted Gross Income (AGI):* AGI is an individual's total gross income minus specific deductions as shown on the federal tax return.

*Affidavit:* Written statement or statements of facts voluntarily made by an applicant under oath and under penalty of perjury administered by a person authorized to do so by law.

*Affirmatively Furthering Fair Housing (AFFH):* AFFH is a legal requirement that federal agencies and federal grantees further the purposes of the Fair Housing Act. HUD's AFFH rule provides an effective planning approach to aid program participants in taking meaningful actions to overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities that are free from discrimination. The HUD AFFH assessment tool and final rule can be found here: <https://www.hud.gov/AFFH>.

*Applicant/Homeowner/Survivor:* (Used interchangeably) Individuals whose homes or housing units were destroyed, made uninhabitable, needed repairs, or who suffered disaster-related displacement from their primary residences and/or loss of property.

*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 programs.

*Back-End Ratio:* Also referred to Debt-to-Income (DTI). This ratio indicates what portion of an applicant's monthly income goes towards paying debt. To determine this number you would include the applicant's total monthly debt expenses, such as mortgage payments (principal, interest, taxes and insurance), credit card payments and other loan payments divided by their gross monthly income and multiply by 100.

*Beneficiary:* The recipient deriving advantage from CDBG-DR funding.

*Borrower(s)/Applicant:* The person 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 trust.

*Case Management:* Working with individual survivors and their families to understand the Program's housing options, resulting in clear and transparent determination of eligibility. Case managers must consider all special circumstances of the survivor's needs to decrease their barriers to participate in the Program where possible. Staff should meet at designated locations and supply information in a standard format.

*Closing Costs:* Costs associated with the acquisition of a real property, to ensure a legal and secure transfer from one owner to the next.

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

*Conditional Reservation Letter:* A letter conditionally approving a buyer based on their preliminary documentation received (income and household information).

*Conflict of Interest:* A condition, whether real or apparent, that undermines the impartiality and/or integrity of (i) any person who is an employee, agent, consultant, officer, elected official or appointed official of the City or (ii) any individual or organization receiving or administering federal funds on behalf of the City who (a) exercises or has exercised any function or responsibility with respect to activities provided by the HbAP 2.0, (b) is in a position to participate in the decision-making process, or (c) gains inside information with regard to such activities. Such person or organization is therefore prohibited from obtaining a financial interest or benefit or having an interest in any contract, subcontract, or agreement with respect thereto or the proceeds thereunder, either for themselves or those with whom they have family or business ties during their tenure or for one year thereafter pursuant to the Final HOME Program Rule, found at 24 CFR §92.356 and/or the Community Development Block Grant (CDBG) Program Regulations found at 24 CFR §570.611. Additionally, City employees will be subject to comply with the City's Standards of Conduct for all Employees found at Subsection 14-183 and Standards of Conduct for City Officials found at Subsection 18-3 as well as City of Houston [A.P. 2-22](#) and HCDD #01-040.

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

*Deferred Payment Loan (DPL):* A loan whose principal and/or interest payments are postponed for a specific period of time provided the Borrower meets the terms and conditions of such loan.

*Down Payment:* Amount deemed as a necessary up-front payment towards the purchase of a home, by the principal lender of the buyer(s)

*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 funding with respect to any part of a loss resulting from a major disaster as to which he/she has already received financial assistance under any other program or from insurance or any other source.

*Elevation Certificate:* A statement from an engineer or surveyor licensed by the State of Texas on the most current FEMA form certifying that the lowest floor of the structure has been elevated at least as high as required by this chapter.

*Elevation Standards:* Standards that apply to new construction, repair of substantial damage, or substantial improvement of structures located in an area delineated as a flood hazard area or equivalent in FEMA's data source identified in 24 CFR §55.2(b)(1).

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

*Event:* The Presidentially declared Hurricane Harvey, and subsequent flooding, disaster event.

*Family:* Per 24 CFR §5.403, family includes, but is not limited to, the following, regardless of actual or perceived sexual orientation, gender identity, or marital status:

1. A single person, who may be an elderly person, displaced person, disabled person, near-elderly person, or any other single person; or
2. A group of persons residing together, and such group includes, but is not limited to:
  - a. A family with or without children (a child who is temporarily away from the home because of placement in foster care is considered a member of the family);
  - b. An elderly family;
  - c. A near-elderly family;
  - d. A disabled family;
  - e. A displaced family; and
  - f. The remaining member of a tenant family.

*FEMA:* Federal Emergency Management Agency, the federal agency under which federal floodplain regulations and related programs are administered.

*First Time Homebuyer:* An individual who meets any of the options listed below.

- An individual and, if married, his/her spouse, who has/have not owned a home during the past three (3) year period.
  - A homemaker or single parent who has previously owned a marital home and is now owned by the former spouse.
  - An individual who has only owned a property that was not permanently affixed to a permanent foundation in accordance with applicable regulations.

- An individual who has only owned a property that was not in compliance with state, local or model building codes, and which cannot be brought into compliance for less than the cost of constructing a new permanent residence.
- An individual replacing a home that was lost during Hurricane Harvey.

*Flood Disaster Protection Act of 1973 and Sec. 582(a) of the National Flood Insurance Reform Act of 1994:* Compliance with the legal requirements of Section 582(a) mandates that HUD flood disaster assistance that is made available in Special Flood Hazard Areas (SFHAs) may not be used to make a payment (including any loan assistance payment) to a person for repair, replacement or restoration for flood damage to any personal, residential or commercial property if: (1) the person had previously received federal flood disaster assistance conditioned on obtaining and maintaining flood insurance; and (2) that person failed to obtain and maintain flood insurance as required under applicable federal law on such property.

*Flood Hazard Area:* Areas designated by FEMA as having the 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 being within a Special Flood Hazard Area (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). To be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating 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.

- “100-year floodplain” — the geographical area defined by FEMA as having a one percent chance of being inundated by a flooding event in any given year.
- “500-year floodplain” — the geographic area defined by FEMA as having a 0.2 percent chance of being inundated by a flooding event in any given year.

*Floodway:* FEMA-designated channel of a river or other watercourse and the adjacent land areas that must be reserved in order to discharge the base flood without cumulatively increasing the water surface elevation more than a designated height.

*Front-End Ratio:* Used to evaluate the affordability of a mortgage. You determine this number by dividing the amount the proposed mortgage payment by the monthly gross income and multiply by 100.

*General Land Office (GLO):* The Texas General Land Office is the lead agency for managing the State’s Community Development Block Grant – Disaster Recovery grants.

*Grant Agreement:* A funding agreement detailing eligible program costs and project-specific award agreements between HUD and the GLO, including regulatory provisions, certifications, and requirements.



*Home/Housing Unit:* (used interchangeably) a house, apartment, group of rooms, or single room occupied or intended for occupancy as separate living quarters.

*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.

*Housing and Community Development Act of 1974, as amended by the Supplemental Appropriations Act of 1984:* Established the Program of Community Development Block Grants to finance the acquisition and rehabilitation of real property and which defined the recipients and uses of such grants, with the primary goal of benefitting LMI persons.

*Housing and Urban Development Act of 1968, Section 3:* Requires program administrators ensure that training, employment, and other economic opportunities generated by HUD financial assistance shall be directed to the greatest extent feasible and consistent with existing federal, state, and local laws and regulations, to low- and very low-income persons. Recipients of Section 3-covered funding ensure compliance and the compliance of their contractors/subcontractors with the Section 3 requirements, as outlined in 24 CFR 135.32.

*Housing Quality Standards (HQS):* The minimum quality standards for buildings, including new single-family and multi-family housing constructed under HUD housing programs as outlined in 24 CFR 982.401.

*Housing Counseling:* An eight-hour first-time homebuyer education course the buyer(s) must complete as a pre-requisite to participate in the HbAP 2.0. Must be offered by a HUD-approved counseling agency.

*Houston Special Flood Hazard Area:* Under the City of Houston's Chapter 19 Ordinance, Houston Special Flood Hazard Area (HSFHA) means the land in the special flood hazard area and in the floodplain within the city that is subject to a 0.2 percent or greater chance of flooding in any given year and is designated as unnumbered A Zones, AE Zones, AO Zones, AH Zones, A1 through A99 Zones, VO Zones, V1 through V30 Zones, VE Zones, V Zones, or X Shaded Zones. It encompasses both the 100-year, and 500-year floodplain as designated by FEMA.

*Lender:* The mortgage institution providing financing of a home loan to a qualified buyer(s).

*Loan:* An arrangement in which a HbAP 2.0 approved lender gives money to a borrower, and the borrower agrees to return the property or repay the money at some future point(s) in time.

*Low/Mod Income (LMI):* Activities which benefit persons of income that does not exceed 80 percent of the area median income:

- Extremely low: Household's annual income is up to 30 percent of AMI, as determined by HUD, adjusted for family size;

- Low: Household's annual income is between 31 percent and 50 percent of AMI, as determined by HUD, adjusted for family size; and
- Moderate: Household's annual income is between 51 percent and 80 percent of AMI, as determined by HUD, adjusted for family size.

*Mortgage Lender:* Financial institution, licensed by the State of Texas to provide mortgage loans.

*Needs Assessment:* A needs assessment is a critical component in the allocation of funding across and within National Objectives for CDBG-DR funds. A given needs assessment will recommend the proportions of funding that should be set aside to benefit each LMI and non-LMI economic group. The needs assessment will determine the activities to be offered, the demographics to receive concentrated attention, the disabled, "special needs," vulnerable populations, and target areas to be served. The needs assessment will also include an assessment of the types of public services activities that may be needed to complement the Program. The needs assessment should set goals within the income brackets similar to the housing damage sustained within the impacted areas. Deviations from goals must be approved by the City before the Program may move forward. Each needs assessment will be posted for a 30-day public comment period and approved by the GLO before implementation.

*Non-Purchasing Spouse:* The borrower's spouse who is not on the mortgage note.

*Overall Benefit:* The City must certify that, in the aggregate, not less than 70 percent of the CDBG-DR funds received by the City will be used for activities that benefit LMI households.

*Ownership Interest:* Any of the following interest in residential property; fee simple interest; joint tenancy; tenancy in common; interest of tenant-shareholder in a cooperative; life estate; interest held in trust for the Applicant(s) that would constitute a present ownership interest if held by the Applicant(s).

*Principal Residence:* The primary home/property that the applicant/borrower inhabits. For HbAP 2.0, the property must remain the buyer's principal residence for the entire affordability period to avoid default.

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

*Slum and Blight National Objective:* Activities which help to eliminate slum and blighted conditions. (Use of this National Objective is limited due to its inability to contribute towards the overall requirement for 70 percent LMI to benefit low- to moderate-income beneficiaries.) See 24 CFR 570.208(b).

Slum and Blight activities must meet the criteria of one of the three following categories:

- Prevent or eliminate slums and blight on an area basis;
- Prevent or eliminate slums and blight on a spot basis; or
- Be in an urban renewal area.

*Special Flood Hazard Area:* Under the City of Houston’s Chapter 19 Ordinance, Special Flood Hazard Area (SFHA) means the land in the floodplain within the city, that is subject to a one percent or greater chance of flooding in any given year and is designated as unnumbered A Zones, AE Zones, AO Zones, AH Zones, A1 through A99 Zones, VO Zones, V1 through V30 Zones, VE Zones or V Zones.

*Subrecipient:* Cities, counties, Indian tribes, local governmental agencies (including COGs), private non-profits (including faith-based organizations), or a for-profit entity authorized under 24 CFR 570.201(o). The definition of subrecipient does not include procured vendors, private grant administrators, or contractors providing supplies, equipment, construction, or services and may be further restricted by Program rules or other guidance including applications. See vendor definition for further clarification.

*Subrogation Agreement:* An agreement executed by the beneficiary agreeing to repay any duplicative assistance if the beneficiary later receives other disaster assistance for the same purpose as disaster recovery funds already received.

*Tenant/Occupant:* an individual who occupies land or property rented from a landlord.

*Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, as amended (Title 49 CFR Part 24) (42 U.S.C. 4601 et seq.) (URA):* Applies to all acquisitions of real property or displacements of persons resulting from federal or federally assisted program or projects. URA’s objective is to provide uniform, fair, and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects. For these guidelines, URA mostly applies to residential displacements in involuntary (49 CFR Subpart B) acquisition or multifamily damaged/occupied activities that require the relocation of the tenants. A displaced person is eligible to receive a rental assistance payment that is calculated to cover a period of 42 months, as waived by the FR.

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

*Vendor:* Vendors and private grant administrators procured by the city or contractors to provide supplies, equipment, or services necessary to implement the Program and to serve homeowner and homebuyer assistance needs. Upon approval, the vendor may implement the Program or act on behalf of the City.