

Supporting Community Sustainability and Viability by Increasing Homeownership Rates Across the Island

Puerto Rico Housing Finance Authority

Homeownership: Empowering New Buyers

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Summary

The Homebuyer Assistance Program (HBA Program), made possible by Community Development Block Grant – Disaster Recovery (CDBG-DR) funds appropriated by U.S. Congress following hurricanes Irma and Maria, supports the community sustainability and viability by increasing homeownership rates across Puerto Rico as part of the disaster and economic recovery of the Island. The Program aims to increase the level of homeownership by removing the financial barriers to the homeownership dream of many families and individuals by lowering financing costs associated with property acquisition. Applicants may qualify to receive financial assistance in the form of a grant towards purchasing a new or existing home that provides a stable primary residence, strengthening the unity of the family, neighborhood, and community.

The Program provides financial assistance to eligible homebuyers to facilitate and expand homeownership by using such assistance to:

- subsidize interest rates and mortgage principal amounts;
- pay up to 100% of the down payment required by the mortgage for the purchase on behalf of the purchaser; and
- pay reasonable closing costs associated with the home purchase on behalf of the purchaser for low-and moderate-income (LMI) and Urgent Need (UN) homebuyers.

In an effort to directly promote the recovery of the Island, the Program targets members of the Critical Recovery Workforce (CRW). These CRW members include personnel that are instrumental in providing public safety, emergency support, education, healthcare and other services for families in communities working to recover and rebuild. As such, households with CRW members are eligible to receive a maximum award of \$55,000. Other homebuyers are eligible to receive a maximum award of \$45,000. Also, in an effort to promote the sustainability and viability of urban centers around the Island, the Program provides an additional redevelopment incentive of up to \$5,000 for eligible homebuyers who elect to purchase a home in a certified urban center.

At closing, a five-year lien for the CDBG-DR total assistance will be filed against the property. The lien will be forgiven at the end of the five-year period upon confirmation that the applicant continues owning and occupying the property as a primary residence. To date, the Program has disbursed more than \$200 million and assisted more than 6,000 homebuyers.

Innovation and Partnerships

In the midst of difficult economic conditions, the 2017 hurricane season brought devastation to Puerto Rico when, in September, the Island experienced category five Hurricane Irma and category four Hurricane María causing catastrophic Island-wide damage. As such, the U.S. Department of Housing and Urban Development (HUD) designated the entire Island of Puerto Rico as a “most impacted and distressed” (MID) jurisdiction.

The Puerto Rico Department of Housing (PRDOH), as grantee of the CDBG-DR funds allocated for the Government of Puerto Rico, designated the Puerto Rico Housing Finance Authority (PRHFA) as the subrecipient to administer the HBA Program.

Having a widespread impact requires a collaborative environment. The PRHFA implementation of the HBA Program has been innovative in terms of building an ecosystem that can drive success. Such ecosystem involves a network of dedicated PRHFA employees, internal resources, and external partners to meet the ambitious goal of reaching citizens throughout the Island. This ecosystem has contributed to positive Program outcomes:

- During 2021 and 2022 the performance of the Program increased considerably.
- In the last three months of 2022, the program averaged \$10,300,000 in disbursements.
- Disbursed more than \$200 million and assisted more than 6,000 homebuyers.

At PRHFA, we value the relationships and partnerships that have made the Program successful. The PRHFA Director of the CDBG-DR Funds Management Area, Sheila Hernandez, stated the following: “At the PRHFA CDBG-DR Homebuyer Assistance Program, we are proud to have developed strong partnerships with a wide network of participating lending institutions, including the three major commercial banks of Puerto Rico, 28 Mortgage Lenders, and 30 Credit Unions serving all 78 municipalities of Puerto Rico. Through these partnerships, we have been able to provide affordable and secure housing options to eligible homebuyers. In addition, we have partnered with 6 Housing Counseling Agencies to provide valuable financial literacy, debt management, budgeting, and homeowner education to help applicants achieve their goal of homeownership.”

Replicable

While each housing finance agency may face different circumstances, the implementation of the HBA Program by PRHFA could be replicated in other jurisdictions by considering (i) the target audience, (ii) the HFA staff capacity and internal resources and (iii) considering stakeholders and possible partnerships. Further, an HFA may want to reach out to lending institutions, HUD-Approved Housing Counseling Agencies and real estate professionals to establish partnerships to assist with outreach and provide support to potential homebuyers.

Important state housing need

Particularly in Puerto Rico, the HBA Program addresses an important state housing need. Outmigration was a challenge to community sustainability and viability across Puerto Rico before hurricanes Irma and María in 2017, and the problem exacerbated following these disasters. The financial stability and availability of resources for residents to purchase a home is an important factor related to an individual or family’s ability to secure financing, purchase a home and contribute to long-term community recovery. Further, the HBA Program addresses the need of providing eligible individuals and families with assistance to purchase a home and remain or return to their communities.

Mrs. Miriam Maldonado, 62 years old, acquired her new home in the municipality of Humacao with assistance from the HBA Program. She said: “I applied for the Program and qualified for \$25,000. I am happy that I was able to receive the assistance and I can enjoy this blessing.” For Mrs. Maldonado, her new house has the space to receive the care she needs at this stage of her life.



Also, the Program seeks to target and incentivize CRW members, personnel instrumental in providing public safety, emergency support, education, healthcare and other services for families in communities working to recover, rebuild and long-term quality of life. Such CRW members are eligible to receive a higher assistance amount.

Mr. Carlos Durán, a 29-year-old police officer in San Juan, purchased his first home through the HBA Program. Mr. Durán expressed: “It is a blessing to have my first home. It is a very important process in life that everyone wants to achieve. I feel very happy and proud.”

Benefits to PRHFA targeted customers and underserved markets

As the HBA Program contributes to address an important state housing need, the Program also benefits PRHFA targeted customers and underserved markets, including the low-and moderate-income population, persons in urgent need and CRW personnel. The Program supports them by reducing financial barriers and making homeownership attainable. While PRHFA may not provide the financing for all applicants, it is part of our mission to assist residents of Puerto Rico and help them achieve homeownership.

Success in the marketplace

In addition to meeting eligibility criteria, potential homebuyers under the Program must be able to secure a first mortgage from a lending institution. As such, the Program requires engagement from lending institutions, real estate professionals and the marketplace. Based on this we consider that the Program has had success in the marketplace since it has helped more than 6,000 participants achieve homeownership. Also, financial institutions recognize the success of the Program and are constantly engaged to meet disbursements timelines. The HBA Program staff supports lending institutions, real estate professionals and other stakeholders by providing updates and guidance on the Program Guidelines and requirements through training sessions and other communications.

Benefits outweigh costs and effective use of resources

The benefits of the HBA Program outweigh its costs. The Program has assisted more than 6,000 homebuyers in acquiring a home. Such 6,000 homebuyers include low-and moderate-income persons, CRW members and other residents of Puerto Rico who will support the sustainability and viability of communities and municipalities throughout the Island. Such widespread and lasting impact is significant and outweighs PRHFA costs to deliver the program, supported mainly by CDBG-DR funds. The Program also demonstrates effective use of resources by collaborating with lending institutions, real estate professionals and other stakeholders to create awareness and reach potential homebuyers throughout the Island.

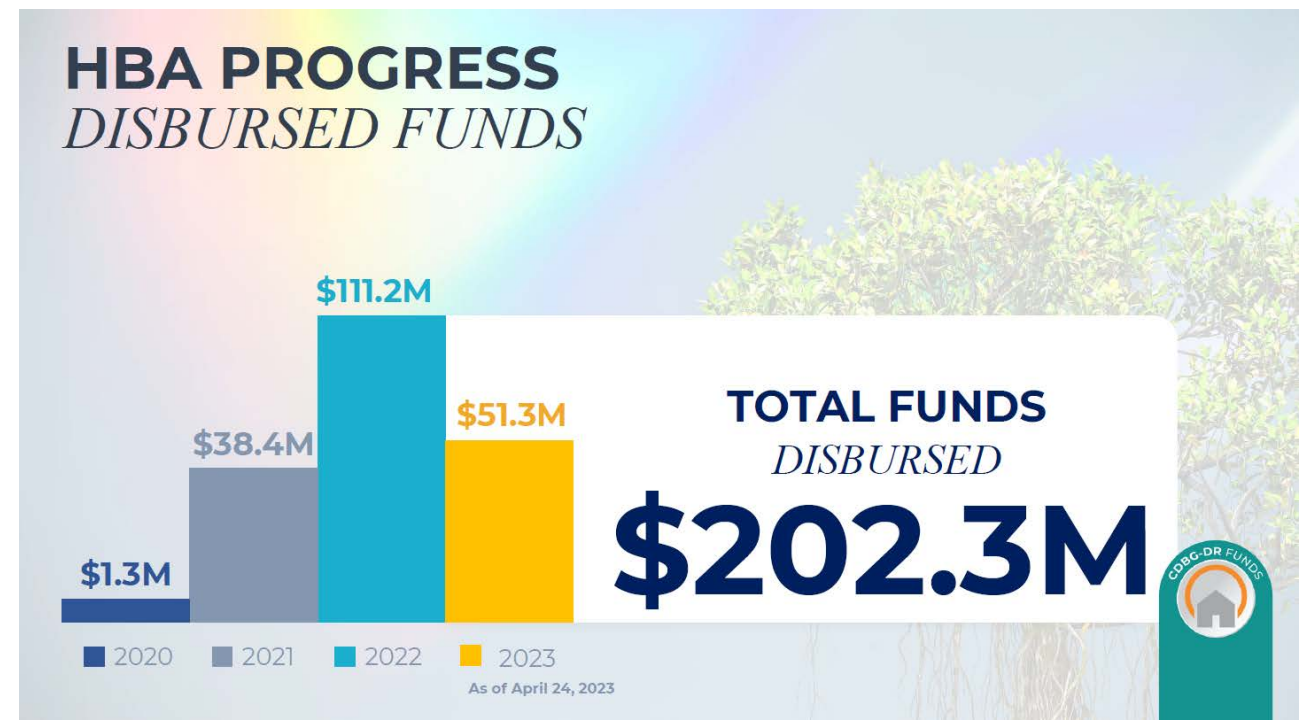
Achieve strategic objectives

As part of its mission, the PRHFA has prioritized the HBA Program since it supports the recovery of Puerto Rico. The HBA Program has increased homeownership rates throughout Puerto Rico, by assisting more than 6,000 individuals and families to continue residing in local communities, hence, combating outmigration and generating positive socioeconomic effects for the Island.

“The PRHFA and its dedicated and experienced staff have worked in collaboration with lending institutions to reach homebuyers in need. We are proud of the impact of the Program in assisting more than 6,000 homebuyers and look forward to continue supporting community sustainability and viability by increasing homeownership rates across Puerto Rico,” said Blanca Fernandez-Gonzalez, PRHFA Executive Director.



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