

**HAFP---0112 Puerto Rico Housing Finance Authority Treasury Feedback
for Resubmission of Plan**

Please revise the HAF plan by providing a response to the question(s).

Completeness

- **Your plan lists Tamara Romero Flores as the Authorized Official, while the original application for HAF payments was signed by Francisco Pares. To ensure prompt payment upon approval, the Authorized Official needs to be the same as the signatory on the original application for HAF payments. If you need to establish a new authorized representative for HAF payments, a request should be submitted by email to HAF@treasury.gov.**

Response: Authorized Official has been updated in the portal to designate Ms. Blanca Fernández González as the new Authorized Official for the HAF Plan.

Homeowner Needs and Community Engagement

Data

- **No questions.**

Community Engagement and Public Participation

- **Your plan indicates that no community-based organizations were engaged in the HAF Plan development process. Please explain how the program is confident in its ability to reach targeted populations without engaging such organizations in planning the program design.**

Response: The program has a robust outreach plan that includes the distribution of information publicly through several media vehicles, including a public facing website. The program will also use direct contact methods such as mailers, email, and text campaigns for borrowers referred by mortgage servicers and to lists of potential participants provided through Housing Counseling services. The program will engage with community partners such as non-profit organizations, municipal figures, and organizations, as well as elected officials to publicize the opening of the program, goals/objectives, and availability of assistance.

- **Your plan notes public input and community engagement in the plan development process. Please explain how community engagement informed your plan's programmatic and outreach design.**

Response: With the data compiled by PRHAP Outreach, and engagement with the Mortgage Bankers Association and community partners, PRHFA was able to develop a robust communications plan and outreach approach designed to engage and facilitate access to low-income communities and reach remote communities, which maybe lacking technology resources. As recommended in the public input, PRHFA intends to engage stakeholders and encourage community partner buy-in by developing easy-to-implement partner toolkits that encourage program message amplification.

- **Please describe any coordination you intend with Tribes or Tribal entities.**

Response: There are no Tribes or Tribal entities in Puerto Rico.

- **Please provide an update indicating any public comments you have received since you submitted your HAF Plan, from which organization you received any such comment, and whether you have responded to the comments.**

Response: PRHFA has received no additional public comments since submitting the HAF Plan.

Ongoing Assessment of Homeowner Need

- **No questions.**

Program Design

- **Please explain how the sources of data listed in the section on Homeowner Needs informed the Program Design Elements included in your plan.**

Response: PRHFA has analyzed demographics, economic conditions, and risk factors for housing instability for Puerto Rico at the municipio level. The level of investigation has been determined by the availability of data sources listed in the HAF Plan. The goals of the analysis were to identify variation across the island related to housing characteristics and potential risk for housing instability and to enable informed, strategic decisions about how to meet the housing needs of homeowners while simultaneously achieving the intent of Treasury, as described in the HAF Guidance. Need related to mortgage delinquency and associated homeownership costs (taxes, insurance, etc.), and water and electricity are the most fundamental to homeowner ability to maintain ownership, avoid displacement, and enjoy stability in a habitable environment. The need across these eligible activities outweighs the funding available.

The U.S. Department of Housing and Urban Development (HUD) has issued HAF-specific income limits available at <https://www.huduser.gov/portal/datasets/haf-il.html>. An examination of the income limits for Puerto Rico demonstrates that the national median income is greater than the 100% AMI standard across the island; therefore, this will be the standard applied for the PRHAP. As such, most Puerto Rican households will also meet this income criterion. Figure 4 describes the AMI for Puerto Rico in 2021, which ranges from \$20,200 to \$30,200, with the lowest AMI areas concentrated in the west and center of the island and on the municipio islands of Vieques and Culebra to the east. This data was provided by the published HUD Income Limit requirements for the HAF program.

Even using the higher income limits of 150% of AMI, per Treasury income-limit requirement, the distribution across Puerto Rico municipios ranges between \$34,600 and \$49,600 below the U.S. median income (also referred to as national median income). The U.S. median income for 2021 is \$79,900.

Given that the demographic and economic characteristics are more homogeneous across the island than in many mainland states, these factors would not be effective weighting criteria in a modeling exercise to determine loan risk. Forbearance as an indicator of risk of mortgage default is a concern, with conventional wisdom indicating that those coming out of forbearance may automatically fall into an accelerated delinquency rate and/or default status. However, widening loss mitigation options are available for homeowners coming out of forbearance. Furthermore, homeowners exiting forbearance with mortgage arrearages and without loss mitigation in place will be part of future delinquency counts. Therefore, PRHFA has used delinquency as a proxy for loan risk, and therefore need, in each municipio.

The rate of homeownership (owner-occupied housing units) from 2015-2019 is 68.1% with median home value of \$11,500 for the same time period. Household median income for the period 2015–2019 (in 2019 dollars) is \$20,539, with per capita income reported at \$12,914 and a poverty rate of 43.5%.

Nationally, the mortgage delinquency rate of 7.97% total and 8.65% past due (delinquency plus foreclosure) for single-family one- to four-unit residential properties peaked in the second quarter of 2020 and fell to a seasonally adjusted rate

of 5.47% of all outstanding loans in quarter two of 2021. Though Puerto Rico's home loan delinquency rates are also trending downward, rates for the same periods were significantly higher than the national average.

Puerto Rico had a residential mortgage delinquency rate of 14.07% by the end of the first quarter of 2020. First quarter 2021 mortgage delinquency, as reported in the [Oficina del Comisionado de Instituciones Financieras](#) (OCIF) 2008–2021 Mortgage Delinquency Report, indicates that 11.6% (43,743) of mortgages on the island are 30, 60, or 90 days delinquent, with the majority (72% or 31,510) of these at the 90-day mark.

The latest data from OCIF's Loss Mitigation Activity Report provides insight into the breakdown of loss mitigation activity in Puerto Rico through April 2021. This report indicates that there are a total of 9,018 mortgage loans in some form of loss mitigation, with 59.4% (5,357) in special forbearance due to the moratorium.

PRHFA's loan servicing portfolio includes only conventional loan types categorized as first and second mortgages. The portfolio includes 6,679 total loans, with 41 percent (2,743) in a delinquent status. Of the delinquent loans, 2,315 loans are delinquent by 18 months or less (34.7% of the total). The reason the 18-month marker has been chosen as a status marker for program data analysis is that Treasury Department Guidance specifically references January 21, 2020, as the onset of possible financial consequences of the start of the COVID-19 pandemic. Though 21 months have elapsed since January 2020, the most recently available data sources are current through May to July 2021. This provides roughly 18 months' worth of information for analysis.

Assessing the total dollar value of eligible mortgage delinquency by municipio in the PRHFA portfolio, \$1,694,122.87 is currently outstanding. PRHFA has used this information along with the total months of delinquency for all borrowers 18 months or less delinquent by municipio to demonstrate delinquency based on total outstanding dollar value and number of months delinquent.

The most comprehensive dataset for home loan delinquency is the BlackKnight data that covers approximately 80% of the loans in Puerto Rico. BlackKnight used available data to extrapolate its dataset to approximate the full universe of loans in Puerto Rico; this extrapolated dataset was used to perform this analysis. Though this dataset does not provide the total delinquency amount in dollars, provide a precise count of months delinquent, or distinguish between first and second mortgages, it does include delinquency counts in three categories (20–89 days, 90 days or more, and foreclosure) and aggregated monthly principal and interest (P&I) for delinquent loans. By multiplying the P&I amounts by the information contained within each date range, PRHFA can provide a rough estimate of the average delinquency amount per borrower. This is important to understand, as this will support projections for average assistance that may be needed by homeowners subscribing to the PRHAP.

Using the factors above, PRHFA estimated an average delinquent amount (P&I only, no taxes or insurance) of \$6,579.71. PRHFA further assumed that the average 30- to 89-day delinquency was an average of two and a half months past due, the average 90-day-or-more delinquency was nine months past due, and the average loan in foreclosure was 15 months past due. Using this same methodology applied to the BlackKnight dataset, PRHFA can also estimate (by loan type) delinquency amounts.

Additionally, PRHFA analyzed rates of delinquency for utility services across Puerto Rico. Though energy costs are projected to be lower in the next 10 years for the average household through mass scale improvements to the electric system and transition of operation of the transmission and distribution system to LUMA, as well as other structural, organizational, and operational efficiencies, the current rate of utility delinquency for homeowners across the island remain high.

Using PREPA's Financial Report for May 2021, PRHFA was able to roughly approximate average monthly utility cost. By taking the total revenue for all residential clients (\$113,523,000) and dividing by the average number of clients served (1,356,556), the average cost of utilities per month per customer is \$83.68.

There are factors that affect individual customer pricing that vary based on use, energy efficiency, microclimate, etc., and many areas and/or individuals likely experience higher rates. However, this estimate provides a starting basis for

making assumptions about the potential assistance that may be necessary to support homeowners in arrears.

According to the *FOMB Certified 2020 Fiscal Plan for the Puerto Rico Aqueduct and Sewer Authority (PRASA), Fiscal Years 2021 to 2025*, PRASA serves “a population of approximately 3.2 million residents” through the provision of clean water and wastewater management, “serving approximately 96% and 50% of the population” with these respective services. The residential market makes up 95% of the more than 1.2 million active accounts.

Operating data for PRASA reported for the nine-month period between July 1, 2020, and March 31, 2021, shows that residential accounts average water bill, including wastewater management, was \$40.82.

This analysis informed the amount of projected average assistance and supported decisions in setting program maximums. Please see answer to follow up question later in this document related to method of establishing program caps.

- **Will there be a method in your HAF program, early in the process of engaging with a household, to evaluate immediate threats to the housing stability of applicants, which may need to be addressed under an expedited or prioritized timeline (e.g., HOA liens, tax delinquencies, utility shut off)?**

Response: The application process is designed to gather information about the applicant’s current housing situation. This includes data on the status of mortgage and homeownership costs that can pose an imminent threat to housing stability. As a result of the pilot program and findings associated with the pilot applicant population, the program application prescreen has been modified to add questions related to immediate threats. Applicants answering “yes” to these questions trigger an expedited review.

- **How will your program leverage resources available through a loss mitigation process to benefit eligible homeowners and how will your program avoid using HAF funds in ways that duplicate relief that available loss mitigation options might provide?**

Response: The PRHAP is not currently imposing, and does not intend to impose, any additional eligibility requirements related to a homeowner’s status with loss mitigation options. Doing so would be contrary to Treasury’s published HAF guidance by placing an additional eligibility burden on homeowners.

Time is of the essence to avoid foreclosure and eviction. Reinstatement may be necessary before other loss mitigation opportunities are fully identified or realized, especially for our most vulnerable populations. Therefore, pursuit of loss mitigation, completion of loss mitigation, or deferral of HAF assistance until loss mitigation is explored, will not be a requirement under PRHAP in order to receive assistance.

Loss mitigation options vary based on a number of homeowner-specific factors to which the servicer has access and which the PRHAP does not. Therefore, PRHAP staff cannot appropriately or ethically advise as to a homeowner’s specific loss mitigation options. However, PRHAP does recognize the importance of loss mitigation opportunities for homeowners. As such, a reference will be made in the application process making homeowners aware that there may be other loss mitigation options available through their servicers. This will allow homeowners to explore all options available to them and make an informed decision about the path which they determine best suits their own needs. PRHAP will not interfere with the self-determination of any applicant.

- **Your plan indicates that the agency will engage numerous housing counseling organizations. Please list those housing counseling agencies with which you anticipate contracting or leveraging significant support for homeowners engaged in HAF.**

Response:

Provider Name	Provider Address	Provider Website	Provider Primarily Serves LMI Households	Provider Addresses Impacts of Housing Discrimination
Puerto Rico Neighborhood Housing Services	274 Calle Canals St. El Ponce Building Suite 102, Stop 19 San Juan, PR 00907-3052	http://www.puertoriconhs.org	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CODEVYS Corporacion para el Desarrollo económico, Vivienda y Salud, Inc	PO Box 1800, Arecibo, PR 00613	https://www.codevys.com/	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pathstone	Urb. Paseo Las Monjitas, Ponce, PR 00730	https://www.pathstone.com/	<input checked="" type="checkbox"/>	<input type="checkbox"/>

One Stop Career Center of PR, Inc.	839 Añasco Street, Suite 3, San Juan PR 00925	https://www.onestopcareerpr.org/	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Consumer Credit Counseling Services of PR	1607 Ponce de León Ave. Cobian's Plaza, GM-9 Santurce, PR 00909	https://www.consumerpr.org/	<input checked="" type="checkbox"/>	<input type="checkbox"/>

- **Please describe how your program will utilize housing counselors or legal services to assist homeowners in evaluating loss mitigation options available for their mortgage. Your descriptions should include:**
 - **whether your program will connect homeowners with housing counseling or legal services early in the process.**

Response: Participation in housing counseling services is strictly voluntary and is not required to receive assistance through the program. However, homeowners will be provided information for housing counseling service providers as a matter of business process in order to seek advice and services should the homeowner desire. Program case management staff members will provide housing counseling contact information during support sessions for application submission. A link to housing counselors is available on our website to help individuals self-select into resources needed.

- **the role housing counseling or legal services providers will play in supporting homeowners' efforts at engaging in loss mitigation.**

Response: Housing counseling providers will support homeowners' efforts at engaging in loss mitigation according to their own internal governing procedures, regulations, and processes.

- **Please explain what steps, if any, your program will take to determine whether a HAF-resolution will result in a sustainable monthly payment for the homeowner?**

Response: PRHFA's HAF program is designed to provide mortgage reinstatement, mortgage payment, utility, and associated homeownership cost assistance. As such the program will not result in a modification to a homeowner's monthly payment. However, assistance is intended to provide homeowners with financial relief and time. Reinstating delinquent mortgages, paying off past due balances for homeownership costs, and providing forward paying mortgage assistance will offer homeowners the best chance to catch up on financial obligations and find new opportunities to stay current. The program does not intend to monitor homeowner status once benefits are provided and the application is closed, as it is not required by Treasury guidance and would constitute an administrative burden both in cost and limited staffing resources that would better be used to serve additional homeowners.

- **Are you anticipating increased winter home energy costs and their potential impact on the homeowners that HAF will serve?**

Response: No. Puerto Rico has a tropical climate with little variation of temperature throughout the year.

- **Your programs set \$21,000 as the maximum amount of assistance per homeowner. Please explain how you determined this amount will be sufficient to resolve housing-related delinquencies and whether the cap will be sufficient in areas with higher housing costs?**

Response: Need on the island far outweighs the available funding for assistance. With delinquency totals well more than \$232 million, the Treasury allocation of \$75.6 million is roughly 31% of the funding necessary to cure all delinquency—and this is just relative to mortgage principal and interest delinquency. These figures do not account for insurance, property taxes, homeowner/condominium association fees, liens, and common charges, or utilities—all of which are widely known additional financial needs across Puerto Rico. With scant data sources available on these other homeownership costs, PRHFA has had to use the information that is publicly available, where available, to estimate averages for some of these costs. By estimating these costs, the program can create base estimates for total average assistance that may be provided to homeowners that can be modified as actual amounts become known through the award process.

Currently, PRHFA projects that the average disbursement for each borrower in the planned Reinstatement Program plus all other options will be \$10,720. The table below provides the numerical summary of the information described above for calculating an average PRHAP assistance award.

Breakout of Estimated Average Assistance Award under the Puerto Rico Homeowner Assistance Program

Assistance Type	Estimated Average Cost
Mortgage reinstatement (principal and interest only)	\$6,580
Three months payment assistance (3 x \$710)	\$2,130
Electricity arrearages (3 x \$84)	\$252
Water arrearages (3 x \$41)	\$123
Other fees (2 x \$300)	\$600
Delinquent property taxes	\$1,035
Total	\$10,720

The projected average award value was derived by using the average estimated delinquency of the BlackKnight dataset (\$6,580 rounded) and the average monthly mortgage delinquency with principal and interest (\$710 rounded) from Table 8. Assuming an average three-month forward payment of \$2,128.53 (three times the average monthly payment), assistance for mortgage reinstatement and future payment assistance totals \$8,708.24.

Assuming every homeowner who receives assistance is also three months behind on electric utilities—an average delinquency of \$84 per month—the projected average assistance for this benefit option would be \$252. Using information from PRASA’s most recent quarterly financial report, PRHFA knows that the average water bill across the island is \$41. Again, assuming a three-month delinquency, this would result in an average benefit amount of \$123 for water and sewerage arrearages.

As there were no data available on delinquent homeowner/ condominium or other associated

homeownership fees, an allowance of an average of \$300 per homeowner has been included. Assuming that this is a yearly rate and that arrearages are owed for 2020 and 2021, this would bring the total average benefit for delinquent homeowner/condominium fees to \$600.

Property taxes in Puerto Rico are collected at the state level and distributed to the 78 municipios. The agency responsible for property tax collection is Centro de Recaudacion de Ingresos Municipales (CRIM). The 2021 Fiscal Plan projects real property tax revenue at \$677 million for Fiscal Year (FY) 2021, which includes residential, commercial, industrial, vacant and other property types. There are an estimated 1,065,375 residential properties, which make up 81.4% of the total properties. Tax rates vary across the island by municipio from 8.0% to 12.99%.¹ Taxes are collected bi-annually, due on January 1 and July 1 each year. All municipios across Puerto Rico exhibit a low collection rate compared to mainland counterparts. In FY 2020, collection rates for real property ranged from 78% to a low of 39%. CRIM estimates that low collection rates “have generated a large gross accounts receivable balance amounting to \$1.7 billion in principal and \$1.9 billion in interest and penalties (net of discounts) at the end of FY2019”. However, after applying a reserve against gross accounts receivable, the net figure falls to \$660 million.

Though there is no published data on the average cost of property taxes, PRHFA can deduce a rough average yearly tax amount per taxable residential property by first multiplying the residential structure percentage of 81.4% by the projected FY 2021 real property tax revenue to yield an estimate of the proportion of real property tax revenue attributed to residential structures (\$551,078,000). By dividing this number by the number of estimated residential properties, this provides an estimated average yearly property tax amount of \$517.26 per residential property. Assuming that the eligible property taxes are owed for 2020 and 2021, this would bring the average property tax benefit under PRHAP to \$1,034.52.

Using the total estimated average assistance award amount and an assumed allocation budget after administration and planning costs are deducted, and after funding for housing counseling services are deducted, the PRHAP Pilot and full program would have \$61,871,509.36 available for homeowner funding to disburse to roughly 5,771 Puerto Rico homeowners in need. These are initial base projections and will be modified over time as real award values are able to be taken into consideration. PRHFA will make every effort to minimize administration and planning costs which, if successful, will result in additional funding being made available to the project delivery budget. Any increase in the project delivery budget will result in an increase of funding availability directly to homeowners in need.

PRHFA used the most recent available data sources when conducting the initial needs assessment in July/August 2021. Much of that information was already dated by several months, with no updated data available. Since initial plan submission, additional time has now passed and PRHFA has assumed that need has grown. With uncertainty as to the timeline of final plan approval, PRHFA also had to account for an unknown number of additional months which homeowners may accumulate additional delinquencies.

PRHFA used the needs assessment analysis to yield a best guess at average assistance homeowners need across the island. To account for variance on the higher end of potential delinquency and the accumulation of additional delinquency pending full program roll out, PRHFA doubled the average expected benefit to account for these factors.

As the program moves forward, PRHFA will monitor the actual award average, as well as high-end outliers, to examine whether the cap is sufficient to accommodate most eligible homeowner situations, or it should be adjusted.

¹ Ibid, p. 16.

Eligibility

- **No questions.**

Outreach

- **Please explain how the program will target outreach and provide access to homeowners with limited proficiency with English and Spanish.**

Response: The communications strategy focuses on the development and successful implementation of the PRHAP's goals of accessible marketing, intake operations, and leveraging program champions. As Spanish is the predominant language spoken in Puerto Rico and most available advertising and marketing media outlets are Spanish outlets, all program materials, advertising, and assistance will be provided in both Spanish and English. We ensure that materials are culturally appropriate for Spanish-speakers from Puerto Rico. Call center and case management services are provided primarily by bi-lingual staff members as well as single language speakers of both Spanish and English. We have a proven strategy to overcome communication barriers, ensuring bilingual communication for customer service at all times.

Prioritization

- **No questions.**

Performance Goals

- **Please provide any update to the preliminary performance goals you included in you plan.**

Response: There have been no revisions to the initial performance goals submitted.

- **Please explain how you intend to communicate your progress towards performance to the public.**

Response: PRHFA will publish reports and other status communications to the public-facing website.

- **Please indicate which three metrics will serve as the best indicators of the success of your program.**

Response: Number of homeowners assisted through mortgage reinstatement and forward paying mortgage assistance. Number of homeowners served through tax delinquency assistance. Number of homeowners served through utility assistance.

- **Please consider including as an additional metric the number of homeowners assisted/foreclosures prevented solely through counseling or legal services without payment of HAF funds to resolve the homeowner's defaults or delinquencies.**

Response: Homeowners who do not receive HAF funding are generally not trackable by the program. This is because homeowners who do not engage with the program are an unquantifiable and unidentifiable population. Further, for those that do engage, but do not receive assistance due to failure to participate, withdrawal, or ineligibility, the program typically loses ability for further communication as these individuals become unresponsive. However, since PRHFA will be funding housing counseling services through HAF expenditures, PRHFA will request statistics from counseling providers related to number of homeowners assisted/ foreclosures prevented through their services as part of the grant agreement established with these service providers. PRHFA will report on the applicant numbers and outcomes demonstrated by the housing counseling services as a result of the subrecipient reporting requirements.

Readiness

- **Please provide the most recent available information about your program's readiness, including staffing, contractors, etc.**

Response: PRHFA has established its own internal management control structure for overseeing the HAF program. PRHFA has also contracted with a vendor to provide implementation support that includes a call center, case management services, an online application portal, and eligibility and payment services.

The program has established overarching policies and procedures. Further, task level activities necessary for outreach, intake, eligibility, quality control, CDF transmission, and payment have been developed, including standard operating procedures for each. Staff training on program rules, process workflows, systems, and tools is conducted at staff onboarding and on an ongoing basis. Staffing levels will be monitored and ramped up or down based on volume of applications. PRHFA has three physical site locations to support applicants in addition to the existing remote support services.

PRHFA is running a pilot program that is open to applicants today. Through operation of the Pilot Program, PRHFA is identifying process bottlenecks and policy gaps, formulating resolution, and implementing changes to address them. These program improvements are intended to create a system ready for full operation when Treasury approves the HAF Plan.

- **Is your program prepared to launch upon approval and, if not, by what date will you be ready to launch following approval?**

Response: PRHFA believes that the PRHAP is ready for launch as soon as approval is received. PRHFA is confident that the necessary infrastructure for full program launch is in place, policies and procedures have been developed, systems are functional to handle increased volume of applications, plans have been activated to ensure appropriate staffing levels at all times, and controls are in place to support anti-fraud, waste and abuse protocols.

- **Please provide updated information about your progress in spending the initial 10% payment from your jurisdiction's full allocation and the status of any pilot assistance already offered or made available to homeowners.**

Response: To date, the total costs associated with the needs assessment and plan development, pilot design and launch, and associated administrative activities is approximately \$276,703.00. The statistics on the pilot program are updated below:

Number of households that have applied for assistance: **325**

Number of households that have received funding: **32**

Amount of funding disbursed: **\$101,721.73**

Number of households potentially eligible and estimated dollar value, pending final eligibility and/or CDF confirmation: **64 potentially eligible households, \$130,000.00. 40 households pending CDF confirmation and 57 households pending Initial Eligibility Approval****Note that results of CDF process could change eligibility status and funding totals.**

Budget

- **No questions.**