



# FIRST-TIME HOMEBUYER OPPORTUNITIES PROGRAM POLICY

CDBG-DR

County of Maui, Office of Recovery  
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## Version History

Version	Date	Summary Description	Approved By
1.0	08/10/2025	Original Document	Patience Kahula
2.0	10/10/2025	Substantial Revisions and Clarifications	

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## Version Policy

Version history is tracked in the Version History Table (page i), with notes regarding version changes. Dates of each publication are also tracked in this table. Substantive changes in this document that reflect a policy change will result in the issuance of a new version of the document. For example, a substantive policy change after the issuance of Version 1.0 would result in the issuance of Version 2.0, an increase in the primary version number. Non-substantive changes such as minor wording and editing or clarification of existing policy that do not affect interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number (i.e., Version 2.1, Version 2.2, etc.).

## Policy Change Control

Policy clarifications, additions, or deletions may be needed during the course of the program to more precisely define the rules by which the Program will operate. Policy decisions will be documented and will result in the revision of the document in question. Unless otherwise noted, policy revisions are applied prospectively, made effective on the date of document approval

# 1. Introduction

This document serves as the program policies and procedures for the County of Maui, Office of Recovery (County OOR) First-Time Homebuyer Opportunity Program (the Program). These policies and procedures were developed to serve as a basis for the County OOR's program and to provide guidance on program implementation that follows HUD standards and best practices. This document may also serve as a reference for homebuyers, applicants, participating lenders and other interested parties who want to understand how the program operates. Note that these policies and procedures are only intended to address the Program.

Each of the other recovery programs outlined in the County of Maui Action Plan for the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant – Disaster Recovery (CDBG-DR) Funding (“Action Plan”) is governed by its own Program policies and procedures document.

In 2025, the County of Maui was awarded a Community Development Block Grant – Disaster Recovery (CDBG-DR) grant through the US Department of Housing and Urban Development (HUD) to address remaining unmet disaster recovery needs in areas impacted by the Maui Wildfires in 2023. Federal Register Vol. 90, No. 10, published January 16, 2025, allocated a total of \$1,639,381,000 in disaster recovery funds to the County<sup>1</sup>. CDBG-DR funds have been allocated to housing, economic revitalization, infrastructure, public services, and mitigation programs. Program budgets were determined based on information gathered during the unmet needs assessment, as outlined in the Action Plan.

The County has allocated \$92,500,000 in CDBG-DR funding for the First-Time Homebuyer Opportunity Program.

The County OOR is the agency responsible and accountable to HUD for the administration of CDBG-DR funding.

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<sup>1</sup> For full text of the Federal Register Notice, see: <https://www.govinfo.gov/content/pkg/FR-2025-01-16/pdf/2025-00943.pdf>

## 2. Program Overview

### a. Purpose and Objective

The Ho'okumu Hou First-Time Homebuyer Opportunity Program provides eligible applicants the opportunity to become homeowners. The program may assist households with incomes at or below 120% of the area median income, as published annually by HUD by providing soft second mortgages for closing costs, down payment assistance, mortgage rate buydown (discount points), principal buydown, and other allowable costs necessary to acquire homes within the County of Maui.

This program is designed to ensure that the housing needs of the most vulnerable populations in County of Maui are addressed through aiding them with the opportunity to achieve homeownership.

### b. National Objective

All activities funded by the Program must meet the national objectives outlined in the Action Plan:

- Low- to Moderate-Income Housing (LMH)
- Urgent Need (UN)

The urgent need national objective may be used to address the widespread damage to the housing stock due to August 2023 Wildfires. The urgent need objective will be used to assist households that have incomes above 80% AMI to purchase homes outside of the special flood hazard areas of the County of Maui. The urgent need objective will only be utilized after the County has allocated 70% of all CDBG-DR funds for low- to moderate-income households, or in the case of a waiver approved by HUD.

Due to funding limitations and eligibility factors, the Program cannot guarantee assistance to all interested homebuyers. The Program endeavors to serve as many residents as it can with available funds and prioritize assistance for applicants who are most vulnerable.

### c. Mitigation Activities

The Program is designed with mitigation as a central and guiding objective. The program directly supports the Grantee's hazard mitigation and resilience strategy by reducing household exposure to current and future disaster risks, as identified in the Mitigation Needs Assessment included in the approved Action Plan. Through the provision of financial incentives, the program facilitates home purchase assistance — into safer, more resilient housing areas.

The Program serves as a complementary and proactive mitigation tool by shifting residential occupancy away from high-risk zones. This relocation reduces the concentration of populations exposed to risks and physical assets in hazard-prone areas, lessens the potential for future disaster-related damage, and supports long-term community resilience. Every home purchase supported by this program represents a permanent reduction in risk exposure, consistent with the Grantee's broader mitigation and recovery goals.

#### **d. Tieback**

The Program is designed in direct response to the already existing severe shortage of affordable housing worsened by the disaster. The disaster resulted in significant damage to the local housing stock, increasing displacement and reducing homeownership opportunities. This program supports recovery efforts by helping households, particularly those impacted by the disaster, access safe, affordable, and resilient homeownership options, contributing to the stabilization and rebuilding of the community's housing market.

#### **e. Eligible Counties**

The program is restricted to the purchase of eligible property types (see Section 4.3) within County of Maui.

#### **f. Minimizing Displacement and Relocation**

The County OOR will seek to minimize displacement consistent with the goals and objectives for the activities assisted under the HCDA. In addition, the County will coordinate with municipalities and other local-level authorities to minimize the direct and indirect displacement of persons from their homes and neighborhoods because of assisted activities and recognizes the substantial challenges experienced by displaced individuals, families, businesses, farms, and non-profit organizations. Accordingly, the County will take the following steps to develop solutions when planning programs or projects to minimize displacement or adverse impact, especially among vulnerable populations.

The County OOR will take steps to the extent feasible to minimize displacement, such as support local efforts to enact tax assessment policies which reduce the impact of potentially increasing property tax assessments on lower-income owner-occupants or tenants in revitalizing areas; When applicable in accordance with activity type, i.e. purchasing of easements, etc., target only those properties deemed essential to the need or success of the project.

## g. Award Caps

The maximum award per application is \$600,000.

The Program will determine the amount of assistance per application based on applicant's need. Depending on applicant's need, the assistance can be used for the following:

- Subsidize interest rates and mortgage principal amounts;
- Provide up to 100% of any down payment required from homebuyers; and/or
- Pay reasonable closing costs (normally associated with the purchase of a home).

The Program may provide additional subsidies to ensure an applicant's monthly housing payment does not exceed 30% of the household's gross monthly income, however, the maximum award of \$600,000 per application will not be exceeded.

There is no allotted minimum award for this program. The intent of the program is to provide applicants with the amount necessary, not to provide a standard subsidy for all applicants.

## h. Award Calculation and Underwriting

**Affordability Standard:** Monthly housing costs (principal, interest, taxes, insurance, and association fees) shall be equal to 30% of the borrower's gross monthly income.

**Lender Requirements:** Participating lenders must underwrite borrowers to the maximum affordable mortgage amount in accordance with program guidelines before the Program assistance is applied.

**Use of Program assistance:** The Program assistance may only be applied after the borrower's affordability has been maximized through first mortgage financing. Assistance is intended to close the affordability gap, not to reduce the borrower's qualifying loan below their capacity. Homebuyers are required to have a mortgage that is equal to 30% of monthly gross income amount

**Oversight:** The Program will coordinate with lenders to verify compliance with these requirements and to ensure consistent application of affordability standards.

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	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
A. Purchase Price or Appraised Value (Whichever is less)	\$ 650,000	\$ 700,000	\$ 800,000	\$ 800,000	\$ 1,200,000
B. Minus (-) Maximum First Mortgage Loan Amount	\$ 175,000	\$ 200,000	\$ 200,000	\$ 225,000	\$ 325,000
<b>C. Required Down Payment (a-b)</b>	<b>\$ 475,000</b>	<b>\$ 500,000</b>	<b>\$ 600,000</b>	<b>\$ 575,000</b>	<b>\$ 875,000</b>
<i>D. Plus (+) Required Closing Costs and prepaids (assumes 5%)</i>	\$ 32,500	\$ 35,000	\$ 40,000	\$ 40,000	\$ 60,000
E. Cash Required for Closing (c+d)	\$ 507,500	\$ 535,000	\$ 640,000	\$ 615,000	\$ 935,000
F. Minus (-) Duplication of Benefits (DOB)	\$ 30,000	\$ -	\$ -	\$ -	\$ -
<b>G. Amount Required for Closing (e-f)</b>	<b>\$ 477,500</b>	<b>\$ 535,000</b>	<b>\$ 640,000</b>	<b>\$ 615,000</b>	<b>\$ 935,000</b>
<b>H. Maximum Award Amount (Lesser of G or \$600,000)</b>	<b>\$ 477,500</b>	<b>\$ 535,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>
<b>I. Required Borrower Contribution (e-h)</b>	<b>\$ 30,000</b>	<b>\$ -</b>	<b>\$ 40,000</b>	<b>\$ 15,000</b>	<b>\$ 335,000</b>

Table 1 Award Calculation Examples – For illustrative purposes only

### i. Timeliness

Timely implementation and expenditure of funds are critical components of the Program. The County OOR is responsible for meeting all HUD-mandated deadlines for obligation and expenditure of CDBG-DR, as outlined in the applicable Federal Register Notice, Grant Agreement, and the Universal Notice.

Failure to meet required timelines may result in HUD recapturing unspent funds, issuing findings, or placing the grantee on a corrective action plan.

The County must also develop projected expenditures and outcomes. The projections must be based on each quarter's expected performance – beginning with the first quarter funds available to the grantee and continuing each quarter until all funds are expended, projected expenditures and outcomes. The projections must be based on each quarter's expected performance – beginning with the first quarter funds available to the grantee and continuing each quarter until all funds are expended.

Projections will be monitored to align with program goals and will be uploaded into DRGR and the public website. Quarterly projections will be monitored on an ongoing basis and will be adjusted as necessary to reflect accurate estimates.

The County OOR's Program projections are as follows:

YEAR 1	Period	Target Home Purchases Completed	Target Funds Expended
Q1 2026	Jan-March	4	\$2,312,500
Q2 2026	April-June	11	\$6,937,500
Q3 2026	July-Sept	23	\$13,875,000
Q4 2026	Oct-Dec	38	\$23,125,000
YEAR 2	Period	Target Home Purchases Completed	Target Funds Expended
Q1 2027	Jan-March	38	\$23,125,000
Q2 2027	April-June	23	\$13,875,000
Q3 2027	July-Sept	11	\$6,937,500
Q4 2027	Oct-Dec	4	\$2,312,500

Table 2 Home Purchase Projections

### 3. Outreach and Engagement

The County OOR is committed to ensuring that the Program is implemented in a transparent, efficient, and consistent manner, and that all potentially eligible households are aware of and understand the opportunity to participate in the program. The program's marketing and outreach strategy is designed to reach households in the MID areas from the onset of the program throughout the application period through the program life cycle. To engage with residents and stakeholders, the County has utilized and coordinated with the substantial network of community and social groups in Maui to support and encourage participation from disaster-impacted individuals. The County's communication and outreach strategy was successfully implemented in the development of the Action Plan and will be replicated and expanded as necessary to provide the whole community with information about the Program and how to participate. The County's strategy includes:

- Engaging in community meetings open to the public.
- Consulting with disaster-impacted individuals, stakeholders, local governments, public housing authorities, and other parties in the community to ensure

comprehensive and inclusive communication about CDBG-DR program participation.

- Coordinating with community groups, including the Mayor's advisory group.
- Providing information to the community in accessible formats through various local groups.
- Advancing community engagement and input through program surveys, website portals, email, and mailings, social media engagements, and creating vital program materials in accessible formats, including languages most spoken for communities most likely to be impacted by services of programs.
- Engaging in ongoing coordination with public service providers that work with disaster-impacted populations to ensure that any remaining or ongoing disaster-related impacts are brought to the County's attention to enable a coordinated approach to recovery.

The County will coordinate with local partners to provide hard copies of program documents at County facilities, public libraries and recovery resource centers with information available in accessible formats. The County provided flyers for the public meetings and placed paper copies of the survey in local facilities and County buildings.

### **a. Social Media**

The County OOR will also use official social media channels to provide timely, accessible updates regarding key program milestones, including the opening of the Program applications and the scheduling of public hearings related to the program.

Social media will serve as a real-time communication tool to:

- Notify residents when applications for the program are open;
- Announce dates, times, and locations (physical or virtual) of public hearings on proposed plans, amendments, or CDBG-DR-funded projects;
- Share links to online applications, Action Plan documents, comment forms, and registration details;
- Remind residents of upcoming deadlines for application submission or public comment periods;
- Provide summaries or video recordings of past public meetings and hearings.
- Primary platforms to be used may include:
  - **Facebook:** Public announcements, event invitations, and shareable graphics
  - **Instagram:** Visual promotion of program milestones, community engagement events, and success stories
  - **YouTube:** Hosting recordings of public hearings and outreach videos
  - **Website:** Updated application status ([www.hookumuhou.mauicounty.gov](http://www.hookumuhou.mauicounty.gov))

## **b. Rapid Unsheltered Survivor Housing (RUSH) Alignment**

The Program will be implemented in alignment with HUD's Rapid Unsheltered Survivor Housing (RUSH) policy framework, where applicable. RUSH provides guidance and flexibility to accelerate housing solutions for disaster-impacted individuals and households experiencing or at risk of unsheltered homelessness following a federally declared disaster.

To support HUD's RUSH objectives, the Program will:

- Coordinate with emergency shelter providers, local Continuums of Care (CoCs), and homeless service organizations to identify residents who may be unsheltered or displaced due to the disaster and who reside in areas eligible for the Program;
- Prioritize application processing and service referrals for applicants at risk of homelessness due to disaster-related housing instability, particularly in high-risk zones or repetitive loss areas targeted for the Program;
- Allow for strategic integration of other eligible assistance to support smooth transitions into safer, long-term housing options;
- Ensure that home purchase activities are impact-informed, with attention to those facing compounded housing stabilization challenges.

In addition, the program will align with RUSH goals by:

- Reducing displacement risks associated with the loss of naturally occurring affordable housing (NOAH) in buyout areas;
- Working with local and regional partners to expand access to temporary, transitional, and permanent housing resources, including Housing Choice Vouchers and supportive housing where available;
- Incorporating RUSH-aligned practices into outreach, application intake, case management, and program communications.

This alignment ensures that the Program not only mitigates long-term risk through home purchase assistance but also contributes to the urgent housing stabilization and shelter needs of disaster-impacted populations.

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## 4. Intake Application

Only one (1) application per household for their primary residence will be considered.

Interested applicants may apply for the Program via the following methods

- Complete an application online at [apply.mauioor.com](http://apply.mauioor.com)
- Visit any Program Service Center. All service centers are open from 8:00 AM to 6:00 PM, Monday through Friday<sup>2</sup>. Modified hours may be offered as dictated by program needs. Additionally, intake centers will be available on Saturdays by appointment only.

Lahaina	Kahului
Lahaina Gateway 325 Keawe Street, Suite B102 Lahaina, HI 96761	153 E Kamehameha Ave, Suite 101 Kahului HI 96732

Table 3 Location of Program Service Centers

- Download the “Maui OOR” mobile app from the Google Play Store or the Apple App Store and follow the instructions provided, or
- Call **808-865-4007** to be connected to a Program Specialist

Applicants will be required to complete an the Program intake application and provide supporting documents required for eligibility review, income verification, duplication of benefits review, and mortgage readiness. Applicants must be able to obtain mortgage approval to be eligible for assistance. The Program is intended to provide funding necessary to cover any gap that may exist between the purchase price of the home minus the amount an applicant can receive as a first mortgage, up to \$600,000; however, assistance may also be used to cover other eligible expenses, such as closing costs or mortgage rate buydown/discount points. As such, all documentation submitted by the applicant must be valid at the time of submission and representative of the applicant’s current state of mortgage readiness. The application process will require each applicant to authorize the program to obtain 3rd-party data by signing a consent/release form. Program Specialists will collect documents needed to determine eligibility<sup>3</sup>.

Program Specialists will be available at the Program service centers, by phone, and via email to assist the applicant through the intake process and to answer questions as needed. Each applicant will be assigned a dedicated Program Specialist. Each Program Specialist has a direct email and phone line at which he/she can be reached. Applicants are provided with direct contact information for the Program Specialist assigned to the

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<sup>2</sup> Please note that County-recognized holidays may impact these hours.

<sup>3</sup> A complete list of required documentation can be found in the Eligibility Requirements section of this manual.

application. Alternatively, the applicant may contact a program representative by using the general contact information outlined above.

Multiple standard methods of communication will be provided to ensure applicants receive timely, accurate information regarding their applications and the Program. Methods of communication with the Program include, but are not limited to:

- Program website: **Hookumuhou.mauicounty.gov**
- Email: **info@mauioor.com**
- Telephone at **808-865-4007** and
- Mail correspondence addressed to either intake center

### **a. Applicant Identification**

All applicants and co-applicants aged eighteen (18) or older, who intend to occupy the newly purchased home, will be required to submit a valid photo identification. Expired photo identification will not be accepted. Forms of identification accepted by the Program are:

- Government Issued Photo Identification (Federal or State issued);
- Driver's License;
- Passport;
- Military ID Card; or
- Certificate of Naturalization or Permanent Resident Card.

Household members under the age of eighteen (18) must also submit proof of age and identity. Birth certificates must be submitted for all household members seventeen (17) and younger, or valid form of identification list above, if applicable. If an applicant is unable to produce a birth certificate for a minor child, other documents may be considered on a case-by-case basis.

### **b. Citizenship and Legal Status**

The County OOR will administer all CDBG-DR programs in compliance with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), as amended (8 U.S.C. 1601–1646), including eligibility and verification requirements under Title IV. In accordance with the Attorney General's July 11, 2025 Order limiting exceptions, the County shall only recognize the statutory exceptions authorized under PRWORA and shall not extend benefits beyond those permitted by law.

Subject to PRWORA, no federal public benefit may be provided to an alien who entered the United States illegally or is otherwise unlawfully present. To ensure compliance, the County OOR will use the Systematic Alien Verification for Entitlements (SAVE) program, or

an equivalent federal verification system, for applicants whose citizenship or immigration status requires confirmation. While the grant agreement does not specifically clarify the scope of SAVE application, it is understood that SAVE is required for all applicants receiving benefits that are not excepted under PRWORA rules.

Until advised otherwise by HUD, the Program will require only those individuals who will be listed on the deed to the assisted property (i.e., the applicant and co-applicant) to provide documentation of U.S. citizenship or qualified alien status.

Applicants may provide one (1) of the following documents for Citizenship and Legal Status verification:

- U.S. Passport or Passport Card
- Birth Certificate
- State-issued Real ID driver's license that meets the REAL ID Act standards).
- Certificate of Naturalization or Certificate of Citizenship
- Permanent Resident Card (Green Card)

Other citizenship and legal status documentation may be considered on a case-by-case basis, including but not limited to Citizens of the Freely Associated States of the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau.

### **c. Applicant Designees**

Applicants may choose to designate other individuals to act on their behalf or to receive information about the application from the Program. Applicants may designate a Power of Attorney, Co-Applicant, or Communication Designee, or any combination thereof, at the sole discretion of the applicant. The requirements for and powers of each designated representative type vary and are outlined below.

- **Power of Attorney:** Power of Attorney is legally authorized to act on behalf of the applicant. The powers afforded to a legally authorized Power of Attorney vary, based on the duly executed Power of Attorney document. The Program will not aid applicants in designating or securing a Power of Attorney but will recognize the powers of a legal Power of Attorney as outlined in a Power of Attorney document submitted by the applicant. The County OOR may refer the review of Power of Attorney documents to Maui County Corporation Counsel for review, on a case-by-case basis.
- **Co-Applicant:** A Co-Applicant must be an adult. Co-Applicants will have the same authority over the Program application as the Applicant. If a Co-Applicant is designated by the Applicant, Co-Applicants must sign all program documents with the Applicant. The Co-Applicant will be granted decision-making authority

over the Program application. However, Applicants are not required to designate a Co-Applicant.

- **Communication Designee:** A communication designee may be any adult person the applicant wishes to designate as an authorized person to receive information about the applicant's program application. The Program shall be authorized to share information with the communication designee, but the Communication Designee is not authorized to make any decisions regarding the Program application or affect the Program application on the applicant's behalf.

Any of the aforementioned persons, if duly appointed by the applicant, may serve as the applicant's representative in attendance of program inspections, should the applicant be unable or unwilling to attend. However, only the Power of Attorney duly authorized to do so may sign documents, make agreements or decisions, or otherwise act unilaterally on behalf of an applicant.

#### **d. Required Applicant Certifications**

Applicant certifications required for participation in the Program are outlined in the table below. The program reserves the right to require additional or the removal of certifications at its discretion.

<b>Document</b>	<b>Description</b>
<b>Release of Information</b>	<ul style="list-style-type: none"><li>• Authorization from the applicant to share and receive personal information from third parties in connection with the Program and for purposes of progressing his/her case through the Program.</li></ul>
<b>Certification of Truthfulness</b>	<ul style="list-style-type: none"><li>• Applicant and co-applicant affirmation that all information provided in the application is accurate</li></ul>
<b>Subrogation Agreement (as applicable to the Program)</b>	<ul style="list-style-type: none"><li>• Applicant affirmation that any funds received for the same purpose as funds provided under the Program after provision of assistance through the Program must be returned to County of Maui</li></ul>
<b>Conflict of Interest Disclosure</b>	<ul style="list-style-type: none"><li>• Applicant's report of relationship with any public servant, employee, agent, consultant, officer, or elected official or appointed official of the County of Maui, the Office of Recovery (OOR), or of any designated public agencies, or of subrecipients that are receiving funds under the CDBG-DR Program (collectively, "Public Servant") and the nature of said relationship. Applicants who do not have a relationship with Public Servants must report that no such relationship exists.</li></ul>
<b>No Income Certification (as applicable)</b>	<ul style="list-style-type: none"><li>• Self-certification confirming that the applicant, co-applicant, or adult household member who claimed zero income attests that he/she does not earn income.</li></ul>

Table 4: Applicant Certification Documents

## 5. Applicant Prioritization

To assist the most vulnerable households in County of Maui, the Program will prioritize review of applicants based on the following phases, with the burn zone within the County of Maui, as indicated on this map: <https://www.mauirecovers.org/maps/fire-extent>:

Phase	Criteria
<b>Phase I</b>	Households whose primary residence on August 8, 2023, were within the burn zone and whose annual income equal to or less than 80% AMI.
<b>Phase II</b>	Households whose primary residence on August 8, 2023, were within the burn zone and whose annual income is between 80 and 120% AMI
<b>Phase III</b>	Households whose primary residence on August 8, 2023, were outside of the burn zone and whose annual income is equal to or less than 80% AMI.
<b>Phase IV</b>	Households whose primary residence on August 8, 2023, were outside of the burn zone and whose annual income is between 80 and 120% AMI.

Table 5: Program Prioritization

### a. Order of Assistance

The Program shall process applications using a “first come, first ready” methodology within each priority group. Within each phase, prioritization is determined by the date on which the applicant submits all required documentation necessary for eligibility and priority status review.

- “*first come*” is the date and time the applicant submitted their application, the “Created Date” in the County OOR system of record and serves as the official benchmark for establishing this criterion.
- “*first ready*” is the date and time the application is approved for “Pre-Award QC” in the County OOR system of record, serves as the official benchmark for establishing this criterion.

This standard applies consistently across all priority phases, including instances where applicants move into or out of a given phase. Applicants who are reassigned to another phase due to updated information (e.g., income verification, household composition) will retain their original “Pre-Award QC” approval date. Their case will continue in line within the newly assigned phase, if applicable.

This approach prioritizes applicants who have submitted complete applications and satisfied all program requirements necessary to begin eligibility determination.

This policy ensures fairness, transparency, and timely delivery of assistance while recognizing that applicants may progress at different speeds based on their ability to provide documentation and meet program requirements. The Program also acknowledges that the most vulnerable households often face greater impediments to completing

applications. To address this, the Program will provide proactive support to help all applicants identify, gather, and submit required documents and certifications as quickly as possible.

Applicants who qualify for priority, as outlined above, will be reviewed on a daily, rolling basis in sequential phase order (Phase 1 through Phase 4). Each day, the Program will first review all Phase I applicants in the queue, followed by Phase II, then Phase III and so on.

The program understands that low-income, wildfire displaced renters have a vulnerability, applicants in Phase I will be awarded before any applicants in phases II – IV are awarded.

Eligibility review may result in an initial determination of eligible, not eligible, or a request for additional information. Applicants may be reassigned to a different phase if new or updated information changes their priority status.

## 6. Applicant Responsibilities

For the Program to be successful in providing applicants with home purchase assistance awards, the applicant must participate and comply with program timeframes, directives, and requests. the Program is a voluntary program. Applicants who do not wish to comply with all or some of the applicant responsibilities may opt to withdraw from the program at any time.

### a. Applicant Cooperation with the Program

Throughout the life of an applicant's participation in the Program – from submission through closeout of the application – the applicant must participate and respond to requests from the Program in a timely manner. At no point should a request from the Program go unanswered for more than thirty (30) calendar days.

The Program will send applicants with outstanding requests from the Program a Pending Action Notice to inform the applicant of the outstanding request(s). The Pending Action Notice informs the applicant that the Program requires action from the applicant to proceed and that if the applicant does not complete the required action within thirty (30) calendar days, the applicant's case will be closed. Common outstanding requests include, but are not limited to:

- **Documentation:** The program requires documentation from the applicant for multiple reasons and at multiple phases throughout the program. Not all requests for documentation are for documents an applicant must produce. Some documentation requests may be related to documents generated by the program that the applicant must sign. Applicants must submit and/or sign requested documents in a timely manner.

- **Schedule:** The program requires applicant cooperation and participation at multiple points throughout the process. Applicants must schedule and attend required appointments, inspections, or other required meetings in a timely manner. The Program will make reasonable attempts to coordinate schedules with applicants' availability. Applicants who refuse to schedule or attend required meetings or inspections may be sent a Pending Action Notice.

Applicants who do not take the required action(s) within thirty (30) calendar days of the Pending Action Notice will be closed. Applicants who require assistance, clarification, or an extension to the thirty (30) calendar day timeframe to resolve a pending action must request assistance within the thirty (30) calendar day window. Extensions to the thirty (30) calendar day window will be considered on a case-by-case basis.

### b. Applicant Responsiveness

The program will make reasonable attempts to contact applicants, or designees to schedule meetings, collect documentation, or obtain other necessary information. If the program has made three (3) consecutive unsuccessful attempts to contact an applicant with no follow up contact from the applicant, the applicant will be sent a Non-Responsive Notice. Non-Responsive Notice provides contact information for the program, advises the applicant of the next steps in the application process, and notifies the applicant that he/she must contact the program or complete an action within fourteen (14) calendar days of the date of the letter. If the applicant fails to contact the program or complete the action within the fourteen (14) calendar days allowed, the application will be closed. Applicants who become non-responsive after construction activities have commenced may be subject to repay program funds expended on construction activities prior to the application being closed.

### c. Voluntary Withdrawal

The Program Applicants may request to withdraw from the Program at any time. Once a withdrawal request is made, a voluntary withdrawal process from the Program will take place. In such an event, the Applicant will notify their Program Specialist in writing of their desire to withdraw from the Program. The withdrawal request may include, at a minimum, the applicant's name, application number, and date they wish to withdraw. The Applicant may submit the request via postal mail, in person at the intake center(s), or by email. Once the Program has reviewed and accepted the withdrawal request, the Program will issue a Voluntary Withdrawal Notice. During this stage, the Applicant's status will update from "Active" to "Withdrawn". The Voluntary Withdrawal Notice informs the applicant that the Program has received their request to withdraw, and states that the applicant has fifteen (15) calendar days from the date of the letter to rescind the withdrawal request. If the applicant does not rescind the voluntary withdrawal request within the fifteen (15) day

period, the Program will send a Voluntary Withdrawal Confirmation Notice to the Applicant. The Voluntary Withdrawal Confirmation Notice will inform the Applicant that the process has been completed, and the application will be closed as withdrawn from the Program. However, the Applicant's voluntary withdrawal does not preclude the Applicant from submitting a new application to the Program as long as the Program is still accepting applications.

#### **d. Environmental Review and Purchase & Sales Agreement**

For a property to be eligible for acquisition with the Program funds, the program must document that each property has a completed satisfactory Environmental Review. To ensure compliance with 24 CFR Part 58, applicants for Program assistance may not sign or enter into a purchase and sales agreement or otherwise commit to the purchase of a property until they have been formally notified that environmental clearance has been obtained. Doing so would trigger a Choice-Limiting Action<sup>4</sup>, rendering the application ineligible for assistance.

## **7. Eligibility Requirements**

Applicants must provide complete and accurate information regarding their household composition, household income, and other eligibility criteria. Failure to disclose accurate and complete information (including failure to provide necessary documentation) may result in the applicant being deemed ineligible for assistance.

If an Applicant is found to have submitted fraudulent, inaccurate and/or incomplete information to appear eligible for the Program, then they may be required to make full restitution to the County OOR, including (but not limited to) administrative fees, recapture of program assistance and other costs, as applicable.

All applicants to the Program must demonstrate compliance with all eligibility criteria, as follows:

- Must be a U.S. Citizen or Permanent Resident Alien;
- Must be purchasing a single-family, move-in ready residential unit in the County of Maui;
- Must be either a current resident or a returning wildfire displaced resident of County of Maui;

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<sup>4</sup> A choice-limiting action is any activity that a grantee undertakes, including committing or expending HUD or non-HUD funds, that reduces or eliminates a grantee's opportunity to choose project alternatives that would avoid or minimize environmental impacts or enhance the quality of the human environment. See: <https://www.ecfr.gov/current/title-24/subtitle-A/part-58/subpart-C/section-58.22>

- Must be able to obtain a first mortgage commitment with a minimum 30-year term and fixed interest rate from an approved lending institution. No adjustable rate mortgages (ARM) or balloon mortgage and no prepayment penalty is allowed. Applicants who are not mortgage ready or able to obtain mortgage financing will have the option to seek financial fitness counseling with a HUD-approved counseling agency, not to be confused with the program required Homebuyer Education Class. Applicants will be allowed up to six (6) months to complete financial fitness counseling to become mortgage ready,
  - However, funding will not be reserved for applicants who are enrolled in financial fitness counseling to get mortgage ready;
- Property taxes and homeowner's insurance must be escrowed;
- Hurricane Insurance must be maintained by the first-time homeowner and must be escrowed;
- Applicant and/or Co-Applicant Homebuyer(s) are required to be a first-time homeowner (*Defined as an individual(s) who have no ownership interest in a residential property during the three years prior to applying to the Program*).
- Any other household members must not be current owners of a residential property at the time of their Program application.
- Applicants who have inherited property and are listed on the deed, but do not occupy the property as their primary residence, may still qualify as first-time homebuyers. These cases will be evaluated individually through the program's Exceptions Process;

AND

- Total household income must not exceed 120% AMI. *Note: Keep in mind that while both household income and mortgage qualifying income relate to a borrower's finances, they are used for different purposes, are calculated differently and follow different rules.*
  - CDBG-DR Household Income (For Program Eligibility) Purpose
    - Includes all taxable income (IRS 1040 Method) for all household members projected over the next 12 months.
    - Used to determine if the household is eligible for assistance under HUD's income limits (typically at or below 120% AMI for CDBG-DR funded programs).
    - Guidelines Used: Must follow HUD income determination rules – for the Program, that is IRS Form 1040 Adjusted Gross Income (AGI) method.
  - Mortgage Qualifying Income (For Loan Approval) Purpose
    - Used by lenders to determine if the borrower has sufficient income to repay the mortgage.

- Guidelines Used: Follows lender underwriting standards, such as: FHA, VA, Fannie Mae/Freddie Mac, or bank-specific guidelines.
- Includes only income of borrower(s) on the mortgage application and may exclude some types of income counted as part of the household income calculation (i.e., the income from a household member who is not a borrower on the mortgage application).

Other applicant requirements:

- Married couples living (or planning to live) separately will be reviewed on a case-by-case basis as part of the Exceptions Process;
- For married couples both spouses need to sign program documents. Every person listed on the mortgage must be named on the deed;
- All borrowers, co-borrowers must be primary residents of the home.

Eligibility will be determined by the Program based on a combination of information and documents supplied by the applicant and information verified independently by the program.

#### Documentation of Eligibility Criteria

Eligibility Criterion	Acceptable Document(s)	Document Standard
<b>First-time Homebuyers (non-ownership)</b> <i>*Applicants who have inherited property and are listed on the deed, but do not occupy the property as their primary residence, may still qualify as first-time homebuyers. These cases will be evaluated individually through the program's Exceptions Process.</i>	<ul style="list-style-type: none"> <li>• Applicant certification/affidavit of non-ownership</li> <li>And; at least one (1) of the following:</li> <li>• Tax returns for prior three years</li> <li>• Credit report (from mortgage lender)</li> <li>• Title search</li> <li>• Lease agreements from rental units for prior three years</li> </ul>	<ul style="list-style-type: none"> <li>• Certification/attestation of non-ownership</li> <li>• Review of tax returns for mortgage interest deduction or real estate taxes</li> <li>• Check for existing mortgages, closed mortgage accounts with recent activity or trade lines for mortgage loans</li> <li>• Title search of applicant's name in deeds/property records for last three years</li> </ul>
<b>First Mortgage Commitment</b>	<ul style="list-style-type: none"> <li>• Current (no more than 30 days prior to application date) pre-approval or loan commitment with required lending terms</li> </ul>	<ul style="list-style-type: none"> <li>• All documents must show applicant and co-applicant, if applicable</li> <li>• Must not include a non-occupying co-borrower or co-signer on the loan.</li> </ul>

Eligibility Criterion	Acceptable Document(s)	Document Standard
	(minimum 30-year term, fixed rate)	
<b>Eligible Location</b>	<ul style="list-style-type: none"> <li>Property must be located within County of Maui, HI and outside of Special Flood Hazard Areas</li> </ul>	<ul style="list-style-type: none"> <li>Address should match the address on the executed Purchase and Sale Agreement (PSA).</li> </ul>
<b>Current Resident</b>	<ul style="list-style-type: none"> <li>Copy of a lease in the name of the Applicant, or Co-applicant, showing current residency in a residential property located within the County of Maui.</li> </ul> <p>OR two (2) documents from the following list:</p> <ul style="list-style-type: none"> <li>Driver's license or state-issued ID card in the name of the Applicant or Co-applicant.</li> <li>Utility bill addressed to Applicant and/or co-applicant at an address located within the County of Maui.</li> <li>Credit card or bank statement sent to the Applicant or co-applicant at a property located within the County of Maui.</li> <li>Other documents may be considered on a case-by-case basis.</li> </ul>	<ul style="list-style-type: none"> <li>Address on the lease should reference a property anywhere within the County of Maui but must indicate a current lease agreement for occupancy.</li> <li>Driver's license or State-issued ID card must show an address within the County of Maui, and the driver's license or state-issued ID must be current (cannot be expired).</li> <li>Utility bill must show that services were provided at the address indicated on the driver's license or lease agreement provided and must also be in the name of the applicant or co-applicant. The utility bill must show current usage.</li> <li>Credit card or bank statement must show the same address as the lease agreement or ID(driver's license provided and must also show the applicant or co-applicant's name. The credit card and bank statement must also be current.</li> </ul>
<b>Wildfire Displaced Resident</b>	<p>One (1) document from the following list:</p> <ul style="list-style-type: none"> <li>Copy of a lease in the name of the Applicant or Co-applicant, showing a residential property located within the burn</li> </ul>	<ul style="list-style-type: none"> <li>Address on the lease should reference a property anywhere within the County of Maui but must indicate a lease agreement for occupancy prior</li> </ul>

Eligibility Criterion	Acceptable Document(s)	Document Standard
	<p>zone at the time of the August 2023 Wildfires.</p> <ul style="list-style-type: none"> <li>Evidence of a FEMA IA award in the Applicant or Co-applicant's name at an address within the burn zone, referencing the August 2023 Wildfires (FEMA Disaster # DR-4724-HI).</li> </ul> <p>OR two (2) documents from the following list:</p> <ul style="list-style-type: none"> <li>Driver's license or state-issued ID card in the name of the Applicant or Co-applicant with an address in the burn zone.</li> <li>Utility bill addressed to Applicant and/or co-applicant at an address located within the burn zone i.</li> <li>Credit card or bank statement sent to the Applicant or co-applicant at a property located within burn zone.</li> </ul> <p>Other documents may be considered on a case-by-case basis.</p>	<p>to the date of the August Wildfires.</p> <ul style="list-style-type: none"> <li>FEMA IA Award Letter does not need to indicate that the award is specifically for a destroyed property as the applicant is a renter and not a homeowner. The award can be for personal property or other uses. The point of the award is to prove residency.</li> <li>Driver's license or State-issued ID card must show an address within the County of Maui on or before August 8, 2023, and expiring after.</li> <li>Utility bill must show that services were provided in the month preceding or month of the disaster (must indicate the household utility usage during the pre-fire time period).</li> <li>Credit card or bank statement must be in in the month preceding or the month of the disaster.</li> </ul>

Table 6 Eligibility Documentation

*Remainder of page left intentionally blank*

## a. Income Eligibility

To meet Program income eligibility requirements, applicants must have a total household income that does not exceed 120% AMI, adjusted for family size, as published annually by HUD. For purposes of this Program, Low- and Moderate-Income (LMI) shall mean households equal to or less than 80% of Area Median Income (AMI), Urgent Need (UN) households are those with incomes greater than 80% but not to exceed 120% AMI. See Table 7 for the program income limits.

2025 Income Limits	Household Size							
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
50% AMI	\$ 47,150	\$ 53,850	\$ 60,600	\$ 67,300	\$ 72,700	\$ 78,100	\$ 83,500	\$ 88,850
80% AMI	\$ 75,400	\$ 86,200	\$ 96,950	\$107,700	\$116,350	\$124,950	\$133,550	\$142,200
120% AMI	\$113,050	\$129,200	\$145,350	\$161,500	\$174,450	\$187,350	\$200,300	\$213,200

Table 7 2025 HUD Income Limits (80%-120% AMI)

### i. Household Definition

Household members are all people (minors and adults) who intend to reside in the fire-impacted home as their primary residence. The test of meeting the low-to-moderate income objective is based on the total adjusted gross income of all the adult household members.

A household is defined as all people 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 people who share living arrangements.

The Program will use the following rules to determine the income of household members to be included in the household income calculation:

- **Minors** - Earned income of minors, including foster children (household members under age 18) is not counted. Unearned income attributable to a minor is included in the household income calculation (Examples include payments from trusts, stocks, bonds, etc. if the payments are taxable at the Federal level).
- **Temporarily Absent Family Members** - The income of temporarily absent family members is counted in the annual income, regardless of the amount the absent member contributes to the household. Temporarily absent family members are also counted as a member of the household when determining the household size.

If one of the following special circumstances applies, the income of the referenced individuals will be excluded from the total household income calculation:

- **Live-in Aides:** Persons who are employed by the household and meets the definition<sup>5</sup> of a Live-in Aide and/or are a child of that Live-In Aide
- **Relatives as Live-In Aides:** For relatives to be excluded from the household composition and income calculation, the Live-in Aide relative must meet the definition of a Live-in Aide, and the applicant must certify that:
  - The Live-In Aide is qualified to provide the needed care,
  - The Live-In Aide was not part of the household prior to receiving CDBG-DR assistance
    - If a Live-in Aide relative does not meet the definition of a Live-in Aide and/or the applicant does not certify the abovementioned Live-in Aide certifications then the Live-in Aide relative is not eligible for this exclusion. In such cases, the Live-in Aide and any of their dependents will be included in the household composition and the relative's income will be included in the total household income calculation.
- If an applicant is married and their spouse is absent from the household, residing in a separate household the income of the absent spouse will not be included in the total household income if documentation of a separate residence for the absent spouse is provided.

## ii. Income Definition (Annual Income)

The Program will use the Internal Revenue Service (IRS) Form 1040 definition of income, as set forth in HUD regulations (24 CFR 570.3), for the purpose of determining Applicants' eligibility for the Program. The IRS Form 1040 definition of income is often referred to as the Adjusted Gross Income or the AGI method.

The Program will estimate the Adjusted Gross Income (AGI) for the household by projecting the current rate of income for each adult household member at the time assistance is provided. A complete list of income documentation that may be required is included in Table 6.

Pursuant to 24 CFR 570.3, the Annual income of a family or household is determined by projecting the prevailing rate of income of each person at the time assistance is provided for the individual, family, or household (as applicable). Estimated annual income shall include income from all adult family or household members, as applicable. Income or

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<sup>5</sup> Definition of Live-in Aide (24 CFR 5.403): A person who resides with one or more elderly persons or near-elderly persons or persons with disabilities AND who: 1) Is determined to be essential to the care and well-being of the persons, 2) Is not obligated for the support of the persons, AND 3) Would not be living in the unit except to provide the necessary supportive services.

asset enhancement derived from the CDBG-assisted activity shall not be considered in calculating estimated annual income.

### **iii. Income Projection Methodology**

Income will be projected for a 12-month period beginning on the date the income calculation is performed. The projection will be based on current income information provided by the applicant and verified by the Program. To determine Low-to-Moderate Income (LMI) or Middle-Income status, the County OOR will verify income through varied means, including the most recent year's filed federal tax return AND copies of pay stubs, or other acceptable documentation of income received. If an applicant has not filed their most recent year's tax return, they must provide a copy of IRS Form 4868.

When projecting income, the Program will consider factors such as pay frequency, seasonal or intermittent employment, anticipated changes in wages or hours, and any other known circumstances that may affect household income during the 12-month period. Projected income shall exclude unanticipated earnings, such as overtime pay, unless such income is expected to be received consistently for a period of twelve (12) months or more.

Current income documentation (such as paystubs or benefit statements) will generally serve as the primary source when income is stable and reflective of the applicant's circumstances. The most recent year's tax return may be used to supplement the projection, particularly for self-employment, seasonal work, or irregular income. Where discrepancies exist between current documentation and the tax return, the Program will use current income documentation as the basis for the Program's income eligibility determination.

### **iv. Income Recertification**

This income certification will be valid for 12 months from the date it was calculated. If the applicant has not received or accepted a CDBG-DR award from the County OOR within said period, their household income must be re-certified. While an additional income review will be required for this re-certification, the Program will update the applicant's priority status based on the results of the income re-certification, as applicable.

*Remainder of page left intentionally blank*

## b. Primary Residence

The primary residence being purchased with funding from the Program must be located in the County of Maui, the HUD-identified MID.

Primary Residence is a dwelling that the owner uses as their principal and permanent home. It is the place where a person has voluntarily fixed habitation, not used for only special, temporary or vacation purposes, but where the person intends to make a permanent home. A person may only have one designated primary home at any point in time.

## c. Eligible Properties

To prevent displacement of tenants, only vacant housing units or housing units that are owner-occupied are eligible for purchase under this program. Housing units must be vacant or occupied only by the owner at the time of execution of the Purchase and Sale Agreement.

### i. Fee Simple

Properties held in fee simple ownership are eligible for assistance under the Program. Fee simple ownership means the applicant holds full legal title to both the land and the residential structure, without time limitations or reversionary interests.

### ii. Leasehold

Leasehold properties, including but not limited to the State of Hawaii Department of Hawaiian Home Lands (DHHL) properties, may be eligible and will be considered on a case-by-case basis. The Program will evaluate whether the leasehold interest meets ownership, occupancy, and legal requirements sufficient to support the use of CDBG-DR funds. This includes the ability to record and enforce program-required documents, such as affordability restrictions, for the duration of the compliance period.

## d. Property Location

The primary residence being purchased with funding from the Program must not be in a hazardous area:

- Subject to inundation from a flood with a 1% or greater chance of being equaled or exceeded in any given year,
- Tsunami zones/coastal areas that are at risk of being flooded by a tsunami (i.e., tsunami inundation zones and evacuation zones),
- Lava flow zones are designated areas that reflect the relative risk of being affected by future lava flows with rankings based on proximity to volcanic vents; past lava flow

paths and frequency; topography and slope; and eruption history and lava flow modeling.

## e. Household Size

The Program will apply the following occupancy standards, which sets the minimum and maximum number of bedrooms the subject property may have based on the number of persons in the household:

Number of Persons	Minimum # of Bedrooms	Maximum # of Bedrooms*
1	1	2
2	2	3
3	2	3
4	3	4
5	4	5
6 or more	4	5 or more

Table 8 Household Size and Allowable Bedrooms

Generally, no more than two persons are required to occupy a bedroom. In addition, the following situations will be considered:

- Live-in aides, foster children, and children who are temporarily absent due to placement in a foster home are also counted when determining unit size count.
- Adult children on active military duty and permanently institutionalized family members are not included in the bedroom count.
- In determining appropriate home size, the Program may grant an exception to its established standards if determined that the exception is justified by the age, sex, health, disability, or relationship of household members or other personal circumstances. Reasons may include the need for an additional bedroom due to disability or health conditions (e.g., for medical equipment). Occupancy standard exceptions are at the sole discretion of the County OOR.

## f. Minimum Property Standards

### i. Appraisals

The subject property shall comply with all applicable requirements in the Appraiser and property Requirements for Title II Forward and Reverse mortgage section published in the FHA Single Family Housing Policy Handbook (HUD 4000.1). Appraisals must be reported in accordance with “Acceptable Appraisal Reporting Forms and Protocols.” HUD’s required property Acceptability Criteria includes FHA’s Minimum Property Requirements (MPR) and MPS and provides the requirements for Appraisers to establish credible appraised value for a Subject Property. These criteria apply to both existing and newly constructed homes with certificate of occupancy issued prior to the date of the purchase contract. The Program will review the appraisal for accuracy and completeness and will also:

- Determine if the Subject Property meets HUD's property Acceptability Criteria including HUD's MPR/MPS, and may require inspections, certifications, or repairs by appropriate qualified professionals to demonstrate compliance with these criteria.
- Evaluate if the appraisal complies with the requirements in HUD's Valuation and Reporting Protocols, and any additional appraisal requirements specific to the Subject Property, and complies with all applicable federal, state, and local laws, including the Fair Housing Act and other federal, state, or local antidiscrimination laws.
- Determine if the appraisal provides a credible analysis of the subject's marketability and value. Determine if the property's market value is sufficiently supported and the property will serve as adequate collateral for the first and soft second mortgages.

## ii. Inspections

Homes purchased with Program funds must pass occupancy and other required inspections for the applicable jurisdiction as required by the first mortgage lender. There must be an inspection to confirm that the home is in decent, safe, sanitary, and code-compliant condition should the appraiser identify any health and safety concerns. The inspector must be an authorized person or entity approved to carry out such inspections by the local governing authority and satisfactory to the first lender's underwriting guidelines.

## g. Eligible Structure Type

Eligible properties may include existing or newly constructed single-family residences including stick built detached structures, condominium units (warrantable), apartments or townhomes that are move-in ready. Eligible properties may also have an accessory dwelling unit (ADU) or Ohana Suite that is located on the same lot as the primary residence. The Ohana Unit may be detached, attached, an interior ADU (i.e., located within the main house, such as a converted basement or attic), or a garage conversion. Since eligible properties must be move-in ready, home repairs are not eligible to be funded through this program.

Properties eligible for the program must also:

- Be outside of regulatory floodways, and other high risk areas;
- Not have remaining unrepairs fire or other damages at the time of closing; and
- Be ready for occupancy ("Move-In Ready").

Properties incorporating solar and energy-efficient features are encouraged.

### i. Eligible Structure Sales Price and Appraised Value

To ensure compliance with cost reasonableness, to safeguard against speculative pricing practices, and provide reasonable flexibility in a competitive, post-disaster housing market in Maui County, the Program shall establish a maximum allowable sales price for any assisted homeownership activity. The sales price of an eligible structure shall not exceed 5% percent (5%) above the appraised fair market value (FMV) of the property, as determined by a Uniform Standards of Professional Appraisal Practice (USPAP)-compliant appraisal conducted by a state-licensed appraiser

The Program limits the maximum sales price of assisted homes to no more than five percent (5%) above the appraised fair market value. This standard is informed by HUD's HOME Program affordability framework (24 CFR 92.254), which establishes a 95% value limit as a safeguard against inflated pricing. By applying a 5% buffer at the individual appraisal level, the Program balances cost reasonableness requirements under 2 CFR 200.404 with practical market considerations, ensuring that federal funds are not used to support excessive pricing while still allowing for normal negotiation variances in post-disaster housing markets.

### ii. New Construction

The program can assist with purchasing a newly built, "Move-In Ready" home; however, the home must be fully completed at the time of closing. Program funds are not available to pay for construction costs or to purchase the land. Funds can only be used at closing for eligible expenses such as the down payment, closing costs, and mortgage interest rate reductions (buydown or discount points). All participants must agree to affordability and compliance monitoring requirements as a condition of funding.

### h. Ineligible Structures

Structures ineligible for the program include dwellings not intended as permanent housing solutions and dwellings which contain more than one unit, except ADUs/Ohana Units. The program is restricted to the purchase of 1 eligible structure type, meaning the applicant is unable to purchase a duplex, triplex, or quad. However, if the building is a multi-unit structure (i.e. condominium), an applicant may purchase one (1) of the units within the building. Other ineligible structures include, but are not limited to:

- Recreational Vehicles (RVs)
- Trailers
- Fifth wheels
- Campers
- Sheds
- Outbuildings
- Houseboats

### i. Homebuyer Education Course Requirement

As part of an application, all applicant(s), co-applicants / co-signors and anyone who will be on the property deed are required to attend a Homebuyer Education Workshop with a HUD-approved housing counseling agency. The Program allows any HUD-approved Housing Counseling Agency to provide the required homebuyer education workshop. All applicants will need to provide a copy of the completed homebuyer education course certification prior to being provided with a letter of eligibility.

Costs associated with the homebuyer education course are not covered by the Program. Applicants will be required to pay all fees associated with the course. Costs associated with the course begin at \$30 per applicant.

## 8. Mortgage Lender Requirements

The Program funds are intended to fund a portion of the home purchase, which is the difference between the lesser of purchase price or the appraised value of the property and what the buyer can afford as maximum first loan amount (determined by the lender) plus any reasonable closing costs and prepaids not to exceed the maximum award cap amount of \$600,000.

Duplication of benefits may further reduce the award amount, if applicable. The first mortgage loan amount is therefore critical to determining the Program award amount.

### a. First Mortgage

The County OOR recognizes that the needs of applicants will vary depending on their individual circumstances. The home purchase assistance can be used to provide downpayment, closing costs, and/or mortgage principal or rate buydowns/discount points. The first mortgage loan must meet the following requirements to be eligible for the program:

- Minimum 30-year term
- Fixed rate
- Fully amortizing
- Property taxes and insurance must be escrowed
- Private individuals acting as mortgage lenders are not permitted under this program. This includes seller-financing arrangements or loans originated by individuals not affiliated with a recognized financial institution, credit union, or government-backed lender (e.g., FHA, VA, USDA).

The first mortgage amount shall be the maximum amount for which the applicant can qualify, based on their income, debts, and current interest rates. The total monthly payment (PITIA: Principal, Interest, Taxes, Insurance/PMI, and association fees, if applicable) with maximum front-end ratio shall be no more than 30 percent of the applicant's gross household monthly income.

#### **i. Ineligible First Mortgage**

The following are ineligible first mortgage terms:

- Adjustable-Rate Mortgages (ARM)
- Balloon loans or negative amortizing loans
- No prepayment penalties

#### **b. Program Compliance and Security Documents**

To secure the CDBG-DR investment and enforce the 99-year affordability period, the County OOR will utilize three interdependent legal documents that will be recorded at loan closing:

##### **i. Restrictive Covenant**

This is the primary document that "runs with the land" and contains all use and resale restrictions, including the affordability formula and the 99-year compliance period.

##### **ii. Soft Second Mortgage**

This mortgage secures the Promissory Note and places a lien on the property in favor of the County of Maui. Its primary purpose is to serve as the enforcement mechanism for the Program Restrictive Covenant. The term of the Soft Second Mortgage shall match the first mortgage term. A violation of any term in the Covenant shall constitute a default on this mortgage.

##### **iii. Promissory Note**

This document represents the subsidy loan from the County OOR to the homebuyer. It outlines the loan amount, the terms of forgiveness, and the conditions of repayment, which are triggered by a default on the Restrictive Covenant.

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## 9. Loan Approval and Settlement Procedures

Upon approval, a Program loan settlement statement/closing disclosure will be prepared by the title company and sent to the Program for review and approval prior to closing. The Program will then prepare the Program Restrictive Covenant, Soft Second Mortgage and Promissory Note in preparation for closing. The title company will be responsible for ensuring that all documents are properly executed and the Program Security Documents are recorded at the Bureau of Conveyances and in accordance with local requirements.

### a. Loan Settlement Documents

After execution, the first mortgagee's Title Policy, copies of all signed Closing Disclosures, the original recorded Program Restrictive Covenant, the signed Soft Second Mortgage, Promissory Note and other closing documents related to the purchase, including the warranty deed and copies of the buyer's first mortgage documents must be scanned and sent to the Program via email within three (3) days. Original copies should be mailed to the following address:

The County of Maui – Office of Recovery  
Attention: Ho`okumu Hou First-Time Homebuyer Opportunities Program  
200 S. High Street  
Wailuku, HI 96793

The title company will be responsible for ensuring that those documents are properly executed and is recorded in accordance with the Program guidelines.

### b. Disbursement of Funds

All program security documents will be processed by the Program and made available to the title company for escrow prior to closing.

In conjunction with receipt of the approval letter, the lender will be required to provide the Program with the following items:

1. A firm closing date and the name of the title company. The Program will process and issue checks in accordance with County OOR process and policy.
2. All homebuyers are required to obtain an independent home inspection and provide a copy to the Program. A home inspection does not replace the HUD required HQS Inspection.
3. Any approved funds that are not utilized at the closing will be required to be returned to the Program. A refund payable to County of Maui – Office of Recovery (OOR), c/o County of Maui's CDBG-DR First-Time Homebuyer Opportunity Program.

## 10. Sale/Transfer/Default/Refinance/Non-Occupancy/County Right to Purchase

In the event of a default by the homeowner, including but not limited to unauthorized sale or transfer, failure to occupy the property as a primary residence, violation of any term of the Program Restrictive Covenant, Promissory Note, Soft Second Mortgage, or leasehold agreement (if applicable), the County of Maui Office of Recovery shall review the circumstances on a case-by-case basis. The County OOR may pursue any combination of the following actions:

- Require repayment of CDBG-DR assistance in accordance with the pro rata amortization and net proceeds limits established in these Guidelines;
- Exercise the County OOR's Option to Purchase the property under the terms of the Restrictive Covenant;
- Initiate enforcement of the recorded lien or mortgage through legal channels;
- Offer the homeowner a compliance cure option or negotiated resolution; or
- Refer the matter for legal review by the County's Corporation Counsel.

Any enforcement action shall remain subject to the Program's affordability and resale restrictions

To protect the public investment and ensure the long-term affordability of the assisted property, the County OOR shall retain an exclusive Option to Purchase the property upon any proposed sale or transfer, and a right to cure any default by the homeowner. These rights are established within the Program Restrictive Covenant as a condition of assistance.

### a. Voluntary Sale and the County OOR's Option to Purchase

- **Notice of Intent to Sell:** The homeowner must provide the County OOR or its designee with 45 calendar day written notice of their intent to sell or transfer the property.
- **Calculation of Resale Price:** Upon receipt of the notice, the County OOR or its designee will calculate the official Maximum Resale Price in accordance with the program's affordability resale formula.
- **Exercise of Option:** The County OOR or its designee shall have sixty (60) days from the receipt of the written notice to exercise its exclusive Option to Purchase the property at the calculated Maximum Resale Price.
- **Assignment of Option:** If the County OOR or its designee exercises its option, it may purchase the property directly.

- **Waiver of Option:** If the County ORR or its designee chooses not to exercise its option, it will provide a written waiver to the homeowner. The homeowner may then proceed to sell the property to a LMI buyer at a price not to exceed the Maximum Resale Price, the County OOR- or its designee will certify income and the resale price.

### b. Default and the County OOR's Right to Purchase

- **Notice of Default:** The homeowner must provide the County OOR or its designee with a copy of any notice of default received from their first mortgage lender within ten (10) business days.
- **Pre-Foreclosure Purchase:** In the event of a default, the County OOR or its designee may exercise its Option to Purchase the property directly from the homeowner at the established Maximum Resale Price, subject to the approval of the first mortgage lender. This action is intended to prevent a foreclosure sale and retain the assisted asset.
- **Foreclosure Proceedings:** If a cure or pre-foreclosure purchase is not feasible and a foreclosure sale proceeds, the County OOR or its designee will follow the procedures outlined below, including attending the sale and bidding on the property to protect the public investment

## 11. Foreclosure/Short Sale

In the event of the foreclosure/short sale of the property, if recaptured funds are received, it will be processed according to the requirements as indicated in Section 8 – Default Provisions. In some cases, the County’s Department of Corporation Counsel will dictate how to proceed with participating in the foreclosure/short sale and the collection of funds, in which case County ORR will follow all applicable laws as notified, including but not limited taking steps to retain the assisted asset and protect the public investment. These steps may include, but are not limited to:

- **Attendance at Foreclosure Sale** – The County OOR, or its designee may attend the foreclosure sale to represent its interest and preserve the affordability of the property.
- **Bidding at Foreclosure Auction** – The County OOR reserves the right to bid on the property at the foreclosure auction to acquire the asset. If successful, the County OOR may:
  - Hold the property for future resale to an eligible buyer; or
  - Use the property for other eligible affordable housing purposes consistent with CDBG-DR regulations.

## a. Disposition of Recaptured Funds

- If the property is lost to foreclosure and the Program is unable to exercise its right of first refusal, the Program shall recapture funds to the extent possible from net proceeds.
- Recaptured funds shall be treated as program income and used in accordance with 24 CFR 570.489(e) or 24 CFR 570.504, as applicable.

### i. Default Provisions

Applicants assisted under the Program must agree to own and occupy the program-assisted home, maintain required insurance coverage(s), and use the program-assisted home as their primary residence for the applicable compliance period. This compliance period is outlined in the Homeowner Grant Agreement.

If a homeowner-occupant applicant sells the home or discontinues use of the home as a primary residence within the applicable compliance period, the applicant may be subject to repay all or a portion of the grant amount. The amount of benefit that is subject to repayment if the applicant breaks the terms of the compliance period will be determined by annual amortization schedule of the grant over the applicable compliance period.

All Program funds recaptured shall be deposited in the County OOR CDBG-DR interest-bearing Trust account to be utilized for eligible CDBG-DR activities within County of Maui.

The Program grants forgiveness of the compliance period terms in the following extenuating circumstances:

- If the applicant dies during the compliance period, the heirs may occupy the home as their primary residence for the remainder of the compliance period. If the heir does not wish to occupy the home as their primary residence the unamortized portion of the assistance amount will be recaptured by the Program.
- If the applicant is transferred or deployed due to military service for a period that would prevent him/her from upholding ownership and primary residence occupancy of the destroyed home, the applicant is expected to notify the County OOR of the deployment or transfer. Compliance period requirements will be forgiven upon notification by the applicant to County OOR.
- If the applicant must be moved to a permanent healthcare facility or nursing home due to health conditions, the applicant or applicant's designee is expected to notify the County OOR. Compliance period requirements will be forgiven upon notification by the applicant to the County OOR and proof of permanent displacement if provided to the Program.
- Other circumstances beyond the applicant's control which prevent the applicant from being able to own and/or occupy the program-assisted home as a primary residence will be considered on a case-by-case basis.

## 12. Subordination

The Program will review all subordination requests for the purposes of refinance on a case-by-case basis according to the subordination policy below, however, subordination requests are not guaranteed.

### a. Reasons for Subordination

The general policy regarding subordination for the program is to not subordinate loans. No cash out refinancing allowed, however, subordination for refinancing may be allowed for the following reason(s) on a case-by-case basis, as determined by an exceptions panel:

- To enable the homeowner to avoid foreclosure.

The Program will not consider subordination of home equity loans or lines of credit.

### b. Requests for Subordination

Subordination requests will not be granted to homebuyers to allow cash back or debt consolidation. For subordinations to be considered, the lender must submit the following information to the Program for review at least 5 business days in advance of closing on the subordination:

- Letter requesting subordination. The letter must include a comparison of the existing mortgage and the new proposed mortgage (which should include the mortgage amount, term, interest rate, and PITIA) and indicate no cash out to borrower.
- Copy of the Loan Estimate
- Copy of the Appraisal

These items will be submitted to the Program for review and approval. If the subordination request is approved, the Program will notify the lender, homeowner, and title company through written notification. The Mayor as Chief Executive Officer has the authority to sign a subordination agreement as a “Representative” for the County of Maui.

The original subordination agreement will be given to the lender, and a copy will be uploaded to the homeowner’s file in the Program’s System of Record.

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## 13. Compliance and Affordability Requirements

### a. Affordable Resale and Repayment Requirements

All properties assisted under the Program are subject to a ninety-nine (99) year affordability requirement and shall remain affordable to income-eligible households from the date of the first conveyance to an Eligible Homebuyer through the end of the compliance period. These restrictions preserve the public investment and maintain long-term affordability for future buyers. The restrictions will be recorded as a the Program Restrictive Covenant, or equivalent, binding the original recipient and all subsequent owners, and surviving foreclosure to the maximum extent allowed by law.

#### i. Affordable Resale Formula

During the Compliance Period, the property can only be sold or transferred to a household with a gross annual income at or below 120% of the Area Median Income (AMI), adjusted for household size, as calculated using HUD's IRS 1040 Adjusted Gross Income Method at the time of resale. Before closing, the Program or its designee must confirm both the sales price and the buyer's eligibility. The resale price shall not exceed the greater of either:

1. The current balance of the first mortgage of the assisted property at the time of the sale, or
2. The affordable sales prices for an eligible buyer as established by the County of Maui, Department of Housing, Affordable Sales and Rental Prices Guidelines 30% prevailing at the time of sale, as applicable.<sup>6</sup>

Any unauthorized transfer is void unless approved in writing by the Program. The Program may recover funds or take other legal action in the event of noncompliance. These restrictions remain in effect for the full 99 years and may not be terminated or modified without written approval from the Program.

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<sup>6</sup> Maui County, Department of Housing, Affordable Sales and Rental Guidelines:  
<https://www.mauicounty.gov/1825/Affordable-Sales-Rental-Guidelines>

Step	What Happens
<b>1. Seller wants to sell</b>	The homeowner decides to sell their home 6 years after buying it with Program assistance.
<b>2. Buyer is income-eligible</b>	The person who wants to buy the home earns less than 120% of the Area Median Income (AMI), so they qualify under the Program rules.
<b>3. What's still owed</b>	The seller still owes \$400,000 on their original first mortgage.
<b>4. What's affordable</b>	The County says the maximum affordable sale price at this time is \$385,000, based on current guidelines.
<b>5. What's the max sale price?</b>	<p>The Program allows the seller the greater of the two:</p> <ul style="list-style-type: none"> <li>• \$400,000 (remaining mortgage balance); or</li> <li>• \$385,000 (County's affordable price limit)</li> </ul> <p>In this instance, \$400,000 is the max allowed sale price.</p>
<b>6. Program must confirm</b>	<p>Before the sale can go through, the Program will:</p> <ul style="list-style-type: none"> <li>• Confirm that the buyer meets income requirements</li> <li>• Make sure the sale price is allowed</li> </ul>

Table 9 Resale Scenario 1 - For illustrative purposes only

If an individual fails to occupy the property as their primary residence, the County OOR will review the situation and explore available options to bring them back into compliance.

To ensure that CDBG-DR assistance is used in a manner that is necessary and reasonable in accordance with 2 CFR 200.403 and 200.404, while also supporting a fair return on investment and preserving long-term affordability, the soft second mortgage shall be structured to match the term of the borrower's first mortgage. Repayment and forgiveness of the CDBG-DR assistance shall follow the provisions below:

- **Initial Period (Years 1–10):** Amortization and forgiveness shall accrue on a pro rata basis during the first ten (10) years of the affordability period. If the property is sold, transferred, or otherwise conveyed, or falls out of compliance during this period, the full principal amount of the CDBG-DR assistance shall be subject to repayment, as the owner forfeits any forgiveness accrued during the initial ten (10) years. However, any required repayment shall not exceed fifty percent (50%) of the seller's net proceeds. This provision maintains program integrity while allowing the homeowner to retain a fair share of equity.

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- **Amortization Period (Years 11–End of Mortgage Term):** Beginning in year eleven (11), the forgiveness shall continue to accrue on a pro rata basis over the remaining term of the soft second mortgage. If the property is sold, transferred, otherwise conveyed, or falls out of compliance after year ten (10), the total amount forgiven to date—including the first ten (10) years and any subsequent years—shall be deducted from the original assistance amount, and the remaining unforgiven balance shall be subject to repayment.

For example, if the first mortgage term is thirty (30) years, one-thirtieth (1/30th) of the original assistance amount shall be forgiven for each full year of continuous owner occupancy from year 1 through year 30. If the property is sold or transferred during this period, the repayment amount shall equal the lesser of:

- The remaining unforgiven balance, or
- Fifty percent (50%) of the seller's net proceeds.

- **Post-Term Period:** Upon expiration of the mortgage term, no repayment of the original assistance shall be required. However, the property shall remain subject to resale and affordability restrictions in accordance with program policies, ensuring continued benefit to eligible low- and moderate-income households.

Scenario	Key Facts
<b>Assistance Provided</b>	The homeowner received \$200,000 in CDBG-DR assistance through the Program.
<b>Primary Mortgage Term</b>	The homeowner's first mortgage is for 30 years, so the soft second mortgage is also set to 30 years.

Table 10 Repayment Scenario Variables - For illustrative purposes only

Policy Phase	Initial Period – No Forgiveness Yet (Years 1–10)
<b>Forgiveness</b>	No portion of the \$200,000 is forgiven yet.
<b>Required Repayment</b>	Full \$200,000 is subject to repayment. However, repayment is capped at 50% of the seller's net proceeds.
<b>Example</b>	If the seller's net proceeds = \$80,000, they repay only \$40,000. The rest is forgiven.

Table 11 Repayment Scenario 2 - For illustrative purposes only

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Policy Phase	Amortization Period – Gradual Forgiveness Begins (Years 11–30)
<b>Forgiveness Formula</b>	From Year 11 forward, \$200,000 continues to be forgiven evenly over 30 years. That's \$6,666.67 forgiven per year.
<b>Forgiveness So Far</b>	By Year 15: that's 15 years $\times$ \$6,666.67/year = approx. \$100,000 forgiven.
<b>Remaining Balance</b>	$\$200,000 - \$100,000 = \$100,000$ still subject to repayment.
<b>Repayment Cap</b>	<p>Seller only repays the lesser of:</p> <ul style="list-style-type: none"> <li>• \$100,000 (unforgiven amount); or</li> <li>• 50% of their net proceeds</li> </ul>
<b>Example</b>	If net proceeds = \$100,000, repayment is capped at \$50,000.

Table 12 Repayment Scenario 3 - For illustrative purposes only

Policy Phase	Post-Term Period – Full Forgiveness Complete
<b>Forgiveness</b>	Entire \$200,000 is fully forgiven. No repayment required.
<b>Resale Rules Still Apply</b>	The homeowner must still follow affordability and resale restrictions.

Table 13 Repayment Scenario 4 - For illustrative purposes only

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Year	Cumulative Forgiven Amount	Remaining Unforgiven Balance	Preliminary Repayment Amount	Notes
1	\$ -	\$ 200,000	\$ 200,000	Initial principal amount
2	\$ 6,667	\$ 193,333	\$ 200,000	Forgiveness accrues pro rata, but full repayment if sold before Year 10
3	\$ 13,333	\$ 186,667	\$ 200,000	
4	\$ 20,000	\$ 180,000	\$ 200,000	
5	\$ 26,667	\$ 173,333	\$ 200,000	
6	\$ 33,333	\$ 166,667	\$ 200,000	
7	\$ 40,000	\$ 160,000	\$ 200,000	
8	\$ 46,667	\$ 153,333	\$ 200,000	
9	\$ 53,333	\$ 146,667	\$ 200,000	
10	\$ 60,000	\$ 140,000	\$ 200,000	
11	\$ 66,667	\$ 133,333	\$ 133,333	Forgiveness begins to apply toward balance if sold after Year 10
12	\$ 73,333	\$ 126,667	\$ 126,667	
13	\$ 80,000	\$ 120,000	\$ 120,000	
14	\$ 86,667	\$ 113,333	\$ 113,333	
15	\$ 93,333	\$ 106,667	\$ 106,667	
16	\$ 100,000	\$ 100,000	\$ 100,000	
17	\$ 106,667	\$ 93,333	\$ 93,333	
18	\$ 113,333	\$ 86,667	\$ 86,667	
19	\$ 120,000	\$ 80,000	\$ 80,000	
20	\$ 126,667	\$ 73,333	\$ 73,333	
21	\$ 133,333	\$ 66,667	\$ 66,667	
22	\$ 140,000	\$ 60,000	\$ 60,000	
23	\$ 146,667	\$ 53,333	\$ 53,333	
24	\$ 153,333	\$ 46,667	\$ 46,667	
25	\$ 160,000	\$ 40,000	\$ 40,000	
26	\$ 166,667	\$ 33,333	\$ 33,333	
27	\$ 173,333	\$ 26,667	\$ 26,667	
28	\$ 180,000	\$ 20,000	\$ 20,000	
29	\$ 186,667	\$ 13,333	\$ 13,333	
30	\$ 193,333	\$ 6,667	\$ 6,667	
31	\$ 200,000	\$ -	\$ -	Fully forgiven after 30 years

Table 14 Sample Amortization Table - For illustrative purposes only

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## b. Release of Restrictive Covenant

The Program Restrictive Covenant will expire upon the completion of the 99-year affordability period. The Department of Corporation Counsel, Mayor as Chief Executive Officer and CDBG-DR Authorized agent, or other assigned designee will be jointly authorized to release the Program Restrictive covenant filed in conjunction with this program at any point during the affordability period if it is determined to be in the best interest of the County OOR. The County Corporation Counsel will prepare and/or approve all release documents for joint authorization on a case-by-case basis as the terms are satisfied.

# 14. Complaints

Applicants may submit a complaint to the Program at any time. In accordance with the guidance outlined in FR-6489-N-01, the Program will provide a timely written response to every written citizen complaint. Complaints will be addressed within fifteen (15) calendar days of receipt when practicable. If a complaint cannot be addressed within fifteen (15) calendar days, the Program will notify the complainant of the need for additional time and an estimated resolution/response timeframe.

People who wish to submit formal written complaints related to the Program may do so through any of the following avenues:

- **Email:** CDBG-DR@mauicounty.gov
- **In Writing:** County of Maui – Office of Recovery:  
Attention: Ho'okumu Hou – CDBG-DR Program Complaints  
Office of Recovery, CDBG-DR  
200 S High Street  
Wailuku, HI 96793

Although formal complaints must be submitted in writing, complaints may also be received verbally and by other means necessary, as applicable, when it is determined that the citizen's particular circumstances do not allow the complainant to submit a written complaint. These alternate methods include, but are not limited to:

- **Telephone:** 808-270-MCOR (6267)
- **In-person:** At any Program service center

## 15. Appeals

Applicants who wish to contest a Program determination may request an initial appeal directly with the Program by submitting a written request via electronic or postal mail or via the web portal at [www.Hookumuhou.mauicounty.gov](http://www.Hookumuhou.mauicounty.gov) within **thirty (30) calendar days** from the date of the determination being contested. Applicants may request an appeal to contest:

- Eligibility determination,
- Duplication of Benefits gap determination, or
- Recapture Amount.

People who wish to request an initial appeal related to the Program may do so through any of the following avenues:

- Via the web portal at: [www.Hookumuhou.mauicounty.gov](http://www.Hookumuhou.mauicounty.gov)
- Via Email: [info@mauioor.com](mailto:info@mauioor.com)
- In Writing at any of the Program service centers:

**Lahaina Gateway**  
325 Keawe St., Unit B102  
Lahaina, HI 96761

**Kāko‘o Maui Relief & Aid Services Center**  
153 E Kamehameha Ave., Suite 101  
Kahului, HI 96732

The Program will conduct an initial review using the request and supporting information submitted by the applicant and make a determination. When practicable, the determination will be made within ten (10) calendar days. Applicants will be notified in writing of the determination made on their initial appeal via an Initial Appeal Determination Notification.

If the applicant believes that the Initial Appeal determination was made in error, the applicant may request a Secondary Appeal directly with the CDBG-DR Appeals Coordinator within fifteen (15) calendar days of the date of the Initial Appeal Determination Notification. A written determination of the secondary review will be made and issued within ten (10) calendar days when practicable. Applicants will be notified in writing of the determination made on their appeal.

All appeal determinations made by OOR are final with no further administrative review and are not subject to judicial review.

An applicant cannot appeal to program policies, federal regulations, or state statutes. Appeals filed based on these reasons will be denied.

People who wish to request a Secondary Appeal related to the Program may do so through any of the following avenues:

**Email:** [cdbg-dr@mauicounty.gov](mailto:cdbg-dr@mauicounty.gov)  
Attention: CDBG-DR Appeals

**In Writing:** Office of Recovery, CDBG-DR  
Attn: CDBG-DR Appeals  
200 S High Street  
Wailuku, HI 96793

An applicant can withdraw the request for appeal at any time by providing written notice to the County OOR of this decision. Such a written notice must be delivered to County OOR at the address(s) referenced above.

Program requirements established by OOR and approved by HUD as dictated by law may not be waived or nullified.

Applicants who choose to file a request for appeal are encouraged to provide individual facts or circumstances, as well as supporting documents to justify their petition. In adjudication of the appeal, the Program will only review facts and information already included in an Applicant's file, unless the Applicant submits new documentation. The Program has the discretion to accept or reject new documentation based upon its relevance to the appeal.

## 16. Exceptions and Special Considerations

The Program policies and procedures set forth the policy governing the Program and approved Standard Operating Procedures (SOP) set forth the procedures by which policy will be enacted. The Policies and Procedures and SOPs are intended to guide program activities and enforce compliance with applicable federal regulations. While Policies and Procedures and SOPs govern the program, neither should be considered exhaustive instructions for every potential scenario that may be encountered by the Program. At times, exception to program policies and/or procedures may be warranted. All exception requests are reviewed and adjudicated on a case-by-case basis as need arises, at the sole discretion of the County OOR. The case-by-case analysis may consider an applicant's remaining unmet need and would include documentation of cost reasonableness to confirm costs incurred are necessary and reasonable. Exceptions may be granted to program policy or process. However, exceptions to federal regulations, laws, or statutes shall not be authorized.

## 17. Conflict of Interest

The County OOR is committed to minimizing and removing any conflicts of interest in its programs, policies, procedures and utilization of federal disaster recovery funds. The County OOR will adhere to the conflicts of interest provisions referenced at 24 CFR 570.611. In addition, the County OOR will comply with the County of Maui Charter, Code of Ethics (January 2025, Article 10), which establishes high ethical standards consistent with federal requirements.

For more information, see the County OOR Conflict of Interest Policy.<sup>7</sup>

## 18. Cross-Cutting Requirements

### a. Duplication of Benefits (DOB)

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), as amended, 42 U.S.C. 5121 et seq., prohibits any person, business concern, or other entity from receiving Federal funds for any part of such loss as to which they have received financial assistance under any other program, from private insurance, charitable assistance, or any other source. The Program must consider disaster recovery aid received by applicants from any other federal, state, local, or other source and determine if any assistance is duplicative. Any assistance determined to be duplicative must be deducted from the Program's calculation of the Applicant's total need before awarding assistance. The DOB review performed by the Program, or an authorized representative assures that federal resources are neither duplicated nor wasted when applied to the provision of homeownership assistance. To ensure the Program does not provide a duplication of benefits, the Program will adhere to the following process:

1. Identify the Applicant's total need;
2. Identify total assistance available;
3. Identify the Amount to Exclude as Non-Duplicative (Amounts used for a different purpose, or same purpose, different allowable use);
4. Identify Total DOB Amount (Total Assistance Minus Non-Duplicative Exclusions);
5. Calculate Maximum Award (Total Need Minus Total DOB Amount); and
6. Final Award (Program Cap = Final Award if Maximum Award is equal to or greater than the Program Cap).

Because the Program requires eligible applicants to be first-time homebuyers at the time of application, it is expected that most applicants will not have received any benefits from other sources for the purposes of home rehabilitation or replacement. Nonetheless, the

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<sup>7</sup> Conflict of Interest Policy: <https://hookumuhou.mauicounty.gov/31/Document-Library>

Program will perform the due diligence of a DOB review and ensure that program beneficiaries do not receive duplicative, unnecessary, or unreasonable assistance. In cases where an applicant has previously received Federal Emergency Management Administration (FEMA), Small Business Administration (SBA), and/or any other funds for the purpose of using them to purchase residential properties, those funds will be considered as a DOB under this Program. These funds will be deducted from the total unmet need determination as part of the underwriting review.

The following are sources of assistance that may have been provided to Applicants and may be considered a duplication of benefits.

#### **i. Federal Emergency Management Agency – Individual Assistance (FEMA IA)**

FEMA Individual Assistance (FEMA IA) will be determined and verified by the Program through the FEMA database. If the Program or an authorized representative cannot verify the FEMA IA amount through the FEMA database, the Program will use the payment amount provided by the applicant at the time of application. An applicant can provide documentation demonstrating that the FEMA IA amount provided by the FEMA database includes amounts not paid to cover the structural loss. In such case, the Program or an authorized representative will use the documentation provided by the applicant to adjust the FEMA IA amount considered in the DOB analysis. The documentation supplied by the applicant must come from FEMA.

#### **ii. Private Insurance**

All private insurance settlement amounts for loss of dwellings are deducted from the Applicant's award.

#### **iii. Legal Settlements**

Funds received from any settlement or trust resulting from the August 2023 Wildfires may be considered a DOB for the Program per HUD. Lawsuit settlements will be evaluated for DOB applicability as more information becomes available.

Legal fees that were paid by the applicant to successfully obtain insurance proceeds are considered exclusions to the applicant and are not included as part of their DOB.

Applicants must provide evidence of payment and a judgment or settlement demonstrating the success in the legal action. All other legal fees that an applicant may have paid out of any disaster assistance proceeds are deducted as part of their DOB if the assistance funding used was intended for purchase of a home.

#### iv. Other Sources of Duplication of Benefits

Following a disaster, charitable organizations provide many kinds of contributions, including donations, grants, or loans, among other types of assistance. Grants and cash donations designated for specific eligible work, even when provided from non-Federal sources, but designated for the same purpose as Federal disaster funds generally are considered a duplication of benefit. Grants and cash donations received for unspecified purposes (e.g., "for disaster recovery/relief efforts") or for work not eligible for federal assistance does not constitute a duplication of benefits.

#### v. DOB Review

The Program or an authorized representative will review each application to determine if funding awarded or donated to the applicant was received for the same purpose as the assistance made available to the applicant through the Program. For this purpose, applicants must provide insurance documentation, FEMA, SBA, and any other type of documentation demonstrating the receipt of funds. The Program will verify the accuracy of the submitted documentation before an award is offered to an applicant. Then, the Program or an authorized representative will determine the applicant's total unmet needs and calculate the applicant's total DOB, if any. The applicant must have an unmet need to move forward in the Program. The Program or an authorized representative must ensure compliance with the Stafford Act by collecting, analyzing, and verifying funds or assistance received by applicants for purposes of homeownership. Any sources of funding previously received by the applicant for the same purpose as the assistance made available by the Program will be deducted from the total unmet needs. The calculation of DOB must be based on the collection of documentation provided by the applicant or obtained by the Program via one of County OOR's information sharing agreements. For example, DOB will be calculated from information obtained from SBA, FEMA, and/or in-kind assistance used for the same purpose as the CDBG-DR award. The final award will be calculated by subtracting any DOB assistance from the total unmet need of the applicant. To comply with these requirements, the Program or its authorized representative will enter the applicant's information into the DOB database to determine whether the applicant received additional financial funds as well as to ensure that any funds determined to be DOB are deducted from the final assistance award. Regarding charity or in-kind assistance, the Program requires full disclosure from the applicant during the application intake process and will review the lending documentation to ensure duplicative assistance is accounted for in unmet needs calculation. The applicant must repay any assistance later determined to be DOB, i.e., received for the same purpose as those awarded or provided with CDBG-DR funds. The applicant must certify they understand this requirement as outlined in detail in the subrogation terms included in the Subrogation Agreement.

## b. Environmental Review

An environmental review process is required for all HUD-assisted projects to ensure that the proposed undertaking does not negatively impact the property or surrounding social, cultural, and physical environment and possible historic fabric. The specific purpose of the environmental review process for the Program is to ensure that with respect to the property being purchased there are no environmental hazards present, there is no adverse impact on the community social and cultural fabric, and that the property does not have potential historic value. Every project must be in compliance with the National Environmental Policy Act (NEPA), and other related Federal and state environmental laws. For more information, refer to <https://www.epa.gov/nepa>. An environmental review must be completed for all project activities prior to obligating Program funds. The HUD rules and regulations that govern the environmental review process can be found at 24 CFR Part 58. The provisions of the National Environmental Policy Act (NEPA) and the Council on Environmental Quality (CEQ) regulations in 40 CFR Parts 1500 through 1508 also apply. Other federal and state laws and regulations (some of which are enforced by State agencies) also apply depending upon the type of project and the level of review required.

### i. Level of Environmental Review

For the Program, the level of Environmental Review is defined at 24 CFR 58.35(b)(5). Activities to assist homebuyers to purchase existing or new dwelling units, including closing costs and down payment assistance, interest buy downs, and similar activities that result in the transfer of a title will require a Categorically Excluded (Not Subject to 58.5) (CENST) Environment Review. The environmental review for any activity in this Program will require a formal determination (including preparing a CENST review and inclusion into the project files) of the environmental regulations at 24 CFR 58.6. Other Requirements to include are:

- Location within a Special Flood Hazard Area;
- Location within a Coastal Barrier Resource System unit and;
- Purchase or sale of an existing property in a Runway Protection Zone or Clear Zone.

County of Maui's Office of Recovery (OOR), as the Responsible Entity, is charged with the responsibility of approving all CENSTs.

#### *Special Flood Hazard Area*

In accordance with the County OOR's 2023 CDBG-DR Action Plan and these Guidelines, if the property is determined to be in a Special Flood Hazard Area, the property will not qualify for home purchase assistance.

#### *Coastal Barrier Resources Area*

The Coastal Barrier Resources Act (CBRA), 16 U.S.C 3501 et seq., protects coastal areas that serve as barriers against wind and tidal forces caused by coastal storms and serve as a habitat for aquatic species. In compliance with the Act, if the property is determined to be located within a Coastal Barrier Resources Area, the property will not qualify for home purchase assistance.

#### *Runway Protection Zone or Clear Zone*

In case that a property is determined to be in a runway protection zone or clear zone, County of Maui Office of Office of Recovery (OOR), as the Responsible Entity, must inform the buyer of the implications of such location and that there is a possibility that the property, may at a later date, be acquired by the airport operator. The buyer must sign an acknowledgement statement understanding the implications of such purchase.

#### *Lead Hazard Requirements*

The Program does not allow the purchase of properties built prior to 1978, and thus these properties will not be eligible for home purchase assistance.

## 19. Fraud, Waste and Abuse

The County OOR, as grantee, is committed to the responsible management of CDBG-DR funds by being a good advocate of the resources while maintaining a comprehensive policy for preventing, detecting, reporting, and rectifying fraud, waste, abuse, or mismanagement.

Pursuant to FR-6489-N-01, the County OOR implements adequate measures to create awareness and prevent fraud, waste, abuse, or mismanagement among other irregularities in all programs administered with CDBG-DR funds as well as encourages any individual who is aware or suspects any kind of conduct or activity that may be considered an act of fraud, waste, abuse, or mismanagement, regarding the CDBG-DR Program, to report such acts to the County OOR - CDBG-DR Internal Audit Office, directly to the Office of Inspector General (OIG) at HUD, or any local or federal law enforcement agency. For more information, see the County OOR Fraud, Waste and Abuse Policy.<sup>8</sup>

## 20. Closeout

The applicant's file will be closed out upon completion of the closing process as described in the Loan Approval/Settlement Procedures. The Program staff will perform a comprehensive review of the application file to ensure all necessary documentation is

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<sup>8</sup>Fraud, Waste and Abuse Policy: <https://hookumuhou.mauicounty.gov/31/Document-Library>

present and to ensure that each file is ready for closeout. By the time an applicant file reaches closeout, it has undergone several QC checkpoints and various approvals at specific stages. Because the file has undergone such extensive quality control throughout each stage of the program process, closeout review is intended to provide a completeness review of each individual application, rather than a comprehensive quality control review.

When all quality control review levels have been approved, the applicant will be sent a Final Notice from the Program, informing the applicant that his/her file has been closed and reminding the applicant of the affordability period requirements.

***[End of Program Policy]***

## 21. Definitions

**Area Median Income (AMI):** The median (middle point) household income for an area adjusted for household size as published and annually updated by the United States Department of Housing and Urban Development (HUD).

**Applicant:** An individual or household/family who submits an application for homeownership assistance to the First-time Homebuyer Opportunity (HOP) Program.

**Appraisal:** The product of a systematic approach to determine an accurate estimate of a home's market value using comparable recent sales in the home's immediate area or neighborhood, conducted by an appraiser who is licensed through the State of Hawaii.

**Appraised Value:** An estimate of the price a property would bring in an arm's length transaction between an unaffiliated and knowledgeable buyer and seller.

**Borrower(s):** The person(s) who:

- (1) receives a loan from a mortgage lender to purchase a property;
- (2) is legally responsible for the repayment of the loan; and
- (3) is subject to any penalties for nonpayment of the loan based upon the terms as described in the loan agreement and/or promissory note.

**CDBG-DR:** Community Development Block Grant-Disaster Recovery.

**Closing Costs:** Reasonable and customary costs necessary to complete the closing of a mortgage loan to acquire real property. Typical mortgage closing costs include mortgage lender fees, property appraisal, attorney fees, taxes, title insurance, and registration and filing fees. It is expected that closing costs will not exceed five percent (5%) of the sale price of the home. Closing costs do not include payoff of borrower debt. Inspection fees are not reimbursable as part of the Program funding and should not be included in the homebuyer's closing costs.

**Closing Documents:** All documents necessary to complete the legal sale of real property in the State of Hawaii and affect a security interest for any mortgage lender participating in the transaction. Closing documents may also include appraisal fees, escrow account funds, discount points, flood determination fees, loan origination charges, mortgage insurance or fees for government-backed loans, such as FHA, VA, or USDA loans.

**Decent, Safe, and Sanitary (DSS):** A housing quality standard ensuring that assisted properties meet basic health and safety requirements. The Program must define its specific DSS standards, which often reference local building codes or HUD's Housing Quality Standards (HQS).

**Discount Points:** fees a home purchaser can pay up front in exchange for a slightly lower interest rate.

**Disability:** A physical or mental impairment that substantially limits one or more of the major life activities of such for an individual.

**Downpayment:** A downpayment is the percentage of the home purchase that is paid up front when closing on a home loan.

**Duplication of Benefits:** A duplication of benefits (DOB) occurs when a person, household, business, or other entity receives disaster assistance from multiple sources for the same recovery purpose, and the total assistance received for that purpose is more than the total need.

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

**Elderly (also referred to as Kupuna):** A person who is 62 years of age or older.

**Environmental Review:** All qualified projects must undergo an environmental review process. This process ensures that the activities comply with the National Environmental Policy Act (NEPA) and other applicable state and federal laws. For HUD purposes, applicable requirements are found at 24 CFR 58.

**Escrow:** A legal arrangement in which a third party temporarily holds money or property until a particular condition has been met (such as the fulfillment of a purchase agreement). This typically includes funds for property taxes and homeowners insurance.

**Federal Register:** The official journal of the Federal government of the United States that contains government agency rules, proposed rules, and public notices. It is published daily, except on Federal holidays. A Federal Register Notice (FRN) is issued for each CDBG-DR funded disaster. The FRN outlines the rules that apply to each allocation of disaster funding.

**Federal Emergency Management Agency (FEMA)** - The Federal Emergency Management Agency (FEMA) is an agency of the United States Department of Homeland Security. It was created by Presidential Order on 1 April 1979. The primary purpose of FEMA is to coordinate the response to a disaster that has occurred in the United States and that overwhelms the resources of local and state authorities.

**First Mortgage:** The primary or initial loan obtained for a property by a borrower(s) from a lender.

**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.

**Floodway:** A "Regulatory Floodway" means the 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. Communities must regulate development in these floodways to ensure that there are no increases in upstream flood elevations. For streams and other watercourses where FEMA has provided Base Flood Elevations (BFEs), but no floodway has been designated, the community must review floodplain development on a case-by-case basis to ensure that increases in water surface elevations do not occur or identify the need to adopt a floodway if adequate information is available.

**Front-end Ratio:** The total percentage of debt-to-income after housing costs, including mortgage payment (principal and interest), mortgage insurance payment, homeowners' association's dues, property taxes, and hazard and flood insurance premiums.

**Home Inspection:** A non-invasive examination of the condition of a home, often in connection with its sale. A home inspection is performed by a qualified professional and is distinct from an appraisal.

**Homeowners Insurance:** Also known as casualty insurance and hazard insurance, coverage that protects a property owner against damage caused by natural events and other unexpected events that cause damage to the home, to people on the property, and to the contents of the home. Often the cost of annual premiums to maintain coverage are added to the monthly mortgage payment and remitted to the insurer by the mortgage lender's servicing agent. The Program requires homeowners insurance to be escrowed.

**HOP:** The First-time Homebuyer Opportunity Program

**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.

**Household Income:** The anticipated gross amount of income from all sources for all adult household members during the upcoming twelve (12) month period in accordance with the definition of annual (gross) income at 24 CFR Part 5.

**Housing Counseling Agency:** A public or private non-profit organization established as a HUD-approved provider of housing education and counseling services.

**HUD:** United States Department of Housing and Urban Development.

**IRS 1040/Adjusted Gross Income (“AGI”) Calculation Method:** Citizens of the United States and resident aliens, except those with gross incomes that fall below a certain level, are required to file an income tax return with the Department of the Treasury’s Internal Revenue Service (IRS) each year. The tax return is officially referred to as IRS Form 1040. The Adjusted Gross Income (AGI) is listed on the IRS Form 1040 and is the dollar amount used to aid in identifying the applicant’s typical sources of income. The applicant shall also provide the most recent documentation of all current income sources, including but not limited to: pay stubs, monthly benefits such as SSA/SSI, retirement/pension, other sources of income covering the last 3 months for all members of the household who will occupy the assisted home to determine an applicant’s household income eligibility for participation in the CDBG-DR Programs.

**Lender:** A financial institution providing secured loans for purchase and refinance of real property. For the HOP Program purposes, the first mortgage loan in the home purchase must be obtained from loan providers duly registered in the [Nationwide Mortgage Licensing System \(NMLS\) and Registry](#).

**Low to Moderate Income (LMI):** Low to moderate income households are those having incomes not more than eighty percent (80%) of Area Median Income, adjusted for household size, as established by HUD on an annual basis.

**Low- to Moderate-Income (LMI) National Objective:** Activities that benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with HUD Guidance.

**Metropolitan Statistical Area:** An area with at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core, as measured by commuting ties.

**Mobile/Manufactured Housing Unit (MHU):** A structure, transportable in one or more sections which, in the traveling mode is 8 body-feet or more in width, or 40 body-feet or more in length, or when erected on site, is at least 320 square feet, is built on a permanent chassis and is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning and electrical systems contained therein. Sometimes referred to as mobile homes.

**Most Impacted and Distressed (MID) Areas:** Areas of most impact as determined by HUD or the state using the best available data sources to calculate the amount of disaster damage. County of Maui is the only MID represented by the Home Purchase Assistance (HOP) program and the County of Maui Office of Recovery (OOR) CDBG-DR Action Plan.

**National Flood Insurance Program (NFIP):** The National Flood Insurance Program (NFIP) is managed by the Federal Emergency Management Agency and is delivered to the public by a network of approximately 60 insurance companies and the NFIP Direct. The NFIP provides flood insurance to property owners, renters, and businesses.

**Primary Residence:** A dwelling where a person maintains or will maintain residence for the majority of the calendar year. A person may have only one (1) primary residence at a time.

**Promissory Note:** A binding document between the Borrower and a lender outlining the terms of the loan such as loan amount, interest rate and payment plan with a written promise to pay at a future time.

**Purchase Price:** The sales price of a property as denoted in the Hawaii Purchase and Sale Agreement (PSA).

**Purchase and Sale Agreement:** A written agreement between a seller and buyer for the purchase and sale of a particular property.

**Recapture:** Provision ensuring that County of Maui's Office of Recovery (OOR) recoups all or a portion of the CDBG-DR funded home purchase assistance provided to a homebuyer if the home does not continue to be the principal residence of the family for up to 99 years.

**Restrictive Covenant:** A legally binding condition placed on a property that receives grant funds. This provision ensures the property is used for its intended purpose—such as affordable housing for low- and moderate-income residents—for a specified period of time. The covenant is recorded against the property's deed, meaning it remains in effect even if the property is sold.

**Returning Displaced Resident:** An individual who previously resided in the County of Maui, was temporarily displaced as a direct result of the August 2023 wildfires, and is actively seeking to re-establish residency within the County through the acquisition or occupancy of a new home.

**Single Family Residence:** Residential structures containing one (1) dwelling unit or one (1) dwelling unit within a multi-unit structure.

**Soft Second Mortgage:** Soft second mortgages, as it applies to the Program, are government funded forgivable mortgages created to assist homebuyers with mortgage related costs and or financing. These mortgages have terms and a 0% interest rate with no repayment required in conjunction with the fulfillment of all loan terms. Second mortgages are recorded, placing a lien on the subject property. Once the mortgage terms are fulfilled, the mortgage will be forgiven and all applicable liens on the property will be released. Repayment is required in the event that loan terms are not satisfied.

**Subject Property:** The proposed property that the Applicant is under contract to purchase with HOP funds.

**Special Flood Hazard Area (SFHA):** An area identified by the United States Federal Emergency Management Agency (FEMA) as an area with a special flood or mudflow, and/or flood related erosion hazard, as shown on a flood hazard boundary map or flood insurance rate map.

**The Program:** The Ho'okumu Hou First-Time Homebuyer Opportunities Program

**Title Insurance:** Insurance that protects the homebuyer and lender against losses arising from problems or defects with the title to a property after it has been purchased.

**Warrantable Condominium:** A condominium unit in a project that has been verified to meet the underwriting criteria required by Government-Sponsored Enterprises (GSEs), including Fannie Mae and Freddie Mac. These standards assess the project's risk based on factors such as owner-occupancy rates, the financial health of the Homeowners' Association (HOA), and litigation status, ensuring its eligibility for conventional loans.