



New Mexico
Mortgage Finance Authority

House by House Reservation
Program Manual

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1 Program Purpose

The New Mexico Mortgage Finance Authority (“MFA”) has allocated a portion of the Federal HOME Investment Partnerships Program (“HOME”) funds administered by MFA for a homeowner House by House Reservation Program. The purpose of the program is to provide funding for the rehabilitation of homes occupied by eligible low-income homeowners. Funding of up to \$65,000 may be available to homeowners whose annual household income does not exceed sixty percent (60%) of the area median income, adjusted for family size. Each homeowner enters into an “Award and Restrictive Covenants Agreement” or “Tribal Land Award Agreement”. The terms of the agreement will vary depending on the household's income. The loan will be, at a minimum, a non-amortizing, 0% interest subordinate loan that is due on sale, refinance, or transfer to a non-qualified owner during the affordability period.

Capitalized terms, used in the Notice of Funding Availability (“NOFA”), except those otherwise defined herein, shall have the same meaning as the terms defined in the MFA New Mexico HOME Program Compliance Manual, as amended from time to time. In the event of a conflict between the provisions of the NOFA and the provisions of the “Service Agreement” for a rehabilitation loan, the provisions of the Service Agreement shall control. From time to time, MFA may amend the provisions of the NOFA by Program Notice.

To participate in the House by House Reservation Rehabilitation Program, an organization must be approved by MFA as an Eligible Partner Agency (“Eligible Agency”). Prospective applicants must fit one of the following criteria to be considered for eligibility:

1. Entity or agency that is new to MFA rehabilitation activities and wish to learn the MFA rehabilitation process and be either a state or local governmental agency, housing authority, tribal agency, non-profit or for profit organization and has amongst its purposes significant activities related to providing housing or services to persons or households of low or moderate income. Provide documentation of being duly organized in accordance with state or local law and is in good standing with any state authority such as the Public Regulation Commission and/or Charitable Registrar at the Office of the Attorney General (e.g. Articles, Bylaws, and Certificate of Good Standing for a Corporation, Operating Agreement, and Certificate of Good Standing for a Limited Liability Company; partnership agreement and certificate of limited partnership for a partnership; 501 (c)(3) designation for a non-profit);
2. House by House Reservation Eligible Partner recipient that is in “good standing” as of the date of the release of this NOFA.
3. Current House by House Reservation Eligible Partner is expanding into a currently underserved area.

The entity or organization must be approved by the MFA based on its submission of a properly completed “Application for Eligibility – Rehabilitation Agency”, with all required attachments including the submission of a Certificate of Insurance evidencing the agency's Commercial General Liability Insurance in amounts as determined by the MFA.

Upon approval of the application, MFA will then enter into a Performance Agreement with the organization. The terms, conditions and descriptions applicable to the program to be made by MFA are as follows:

2 Agency Paid Fees

Eligible Partners may impose a nominal application fee. No other fees may be imposed.

3 Reservations and Commitments

MFA will issue commitments for eligible funding as set forth in the Service Agreement, the Procedural Guide and related program documents. Fund allocations for the program will be reserved in accordance with the Program Reservation Procedures.

The reservation for the funding of each project by the MFA is subject to submission of a completed and signed Reservation Request Form with all the attachments as a Project Application Package. The required items are listed below and also part of “Step One” of the Reservation Program Checklist. This is referred to as the Homeowner Verification Package.

- Reservation Request Form with signature verifying all attachments are present
- Client Application
- Title Search – Certificate of Clear Title (Not applicable for Tribal)
- Principle Place of Residence
- Copy of Needs Assessment
 - Scope of Work
 - Detailed Cost Estimate
 - UPCS with deficiencies clearly listed
 - Mobile Home teardown and replacement must include site prep, foundation or permanent tie-down, grading, utility hookups to existing or new service, skirting and any other costs that are not included in the purchase and delivery of the unit.
- Homeowner signed Lead Based Paint Notification and Distribution of LBP Pamphlet
- Homeowner Income Verification and copies of source documents
 - All adult members of the household 18 and older included
 - Documentation of adult household members receiving no income
- Environmental Review Tier II Site-Specific Checklist with all back up documentation
 - Maps-floodplain, coastal, runway clear, highway, railroad, civil airport, military airfield
 - SHPO letters (if applicable)
 - Noise abatement (if applicable)
 - Explosive & flammable operations
 - RCRA infosearch sheet
- Property Appraisals –(Non-profit, For-Profit or Local Governments) **or** Property Value Verifications –(Tribal entities)
- 95% After Rehab and Cost Reasonableness Certification
- Schedule K – Project Budget
- *Accurate* Home House by House Program **Set Up** and Completion Form

Funding will be reserved on a first come, first served basis pending funds availability. From time to time, MFA may suspend program participation in certain areas of the state if needed.

MFA's commitment to fund each Rehabilitation project will be subject to MFA approval. A Reservation Verification Letter will be emailed to the Eligible Partner. The Reservation Verification Letter must be signed and acknowledged by the Eligible Partner and returned to MFA via email, scan fax or U.S. mail. The Reservation Verification Letter does not commit the funds to the project.

Once the signed Reservation Verification Letter has been returned to MFA, the project setup form will be submitted to Accounting for processing. At this time the project information will be entered into HUD's IDIS system and a project number will be generated and the funds will be committed.

The project number and Award and Restrictive Covenant or Tribal Land Award Agreement will be forwarded via email to the Eligible Partner. Eligible Partners may then begin invoicing MFA for reimbursable expenses related to the project. The project must be completed within 180 days from date of the email containing the project number.

4 Interim Invoicing

Interim invoicing is subject to the following:

- Timesheets for all direct project related salaries for project management time spent on each project. Timesheet must be dated and signed by a supervisor.
- Progress Inspection Sheet/Field Inspection Reports with photos – must submit with each request for reimbursement for the period being billed.
- Copy of Contractor Payment Request and/or any material receipts
- Copy of print screen of www.sam.gov for Contractor – must submit with each request for reimbursement
-

Projects that have not drawn any funds within 90 days of the receipt of the email containing the project number may be canceled by MFA.

5 Final Funding

The final funding of each project is subject to the following;

- HOME Completion Report
- Copies of authorized change orders, if applicable
- Release of liens by contractor and subcontractors.
- Original recorded Award and Restrictive Covenants Agreement, or Tribal Land Award Agreement.
- Request for Reimbursement with copy of contractor final invoice, Lead-Based Paint (if applicable) and Asbestos (if applicable)

In addition to the documents noted above, the following documents must be maintained in the Eligible Partner's Client File:

- Copy of notarized Award and Restrictive Covenants Agreement or Mortgage and Promissory Note.

- Evidence of Property Ownership (Fee Simple or 99 year leasehold interest only)
- Evidence of Flood Insurance (if applicable)
- Copy of bid documents and advertisement.
- Pre-Construction Conference Report with Contractor Certification of eligibility to perform federal work (sam.gov).
- Copy of executed Construction Contract with scope of work attached as an Exhibit.
- Copies of Lead-Based Paint Risk Assessment, Notification Certification(s), and Clearance (if applicable)
- Copy of print screen of SAM.gov for each Contractor – must submit the print screens with each request for reimbursement
- Resource Efficiency Checklist
- Punchlist (if applicable)

6 Change Orders

A change order occurs when there is any modification to the agreed upon scope of work. The modification may be relatively minor or incorporate a major change. A change order must be executed for any deviation, addition, or deletion made to the original job specification even if there is no cost change. Change orders must be in writing and approved by the Homeowner (if available), Grantee, the Contractor and MFA. No work will may started until MFA signs the change order. The only exception is if there is an immediate health or safety issue.

All change orders must be evaluated for cost reasonableness and for the effect it will have on the amount of assistance approved prior to the change order. The cost analysis of the recommended change will be documented and will include a statement verifying that the approved cost is both reasonable and acceptable. The Grantee will establish the cost reasonableness of the change order.

If a change order reduces or increases the amount of assistance provided, the Homeowner-Contractor Agreement and Award Agreement will be amended.

7 Eligible Borrowers

To be eligible for funding, the Current Annual Household Income of the borrower(s) must be at or below 60% of Area Median Income (AMI) adjusted for family size as determined by the U.S. Department of Housing and Urban Development (HUD). For homeowners on a waiting list, the Eligible Partner must recertify the homeowner's application, particularly, their income, on an annual basis.

8 Property Eligibility

The home must be owned and occupied by the applicants and be the primary residence as evidenced by a Title Search and a Deed. Title to the property must be held as fee simple or a 99-year leasehold. Homes located on Tribal Land may have a 50-year lease. Any person(s) whose name(s) appear on the title to the property and all members of the household over the age of 18 must be included for income determination purposes. All property taxes must be current.

The value of the home as determined by appraisal or market analysis cannot exceed the HUD published 95% appraisal limits after rehabilitation. The combination of an existing mortgage loan and HOME loan cannot exceed the after rehab value of the home. On Tribal/Pueblo land MFA will accept a property valuation in lieu of a third party appraisal.

In order to meet the MFA Property Standards and HOME regulatory requirement, the minimum subsidy per unit is \$1,500. The property must meet all Property Standards upon final funding of the loan. Owners of properties located in floodplains as identified by the Federal Emergency Management Agency shall be required to obtain and maintain Flood Insurance as a condition of receiving funding.

Properties with a home equity mortgage lien on the property and properties located in the City of Las Cruces and the City of Albuquerque are not eligible for this program.

8.1 Needs Assessment

Every project must have a Needs Assessment included with the scope of work and UPCS. The Needs Assessment will help determine the severity of the work needed in the event more than one application is submitted at a time.

The following property types must be included under the program:

- Traditional single-family housing that is owned fee simple (this housing may contain one to four dwelling units)
- A condominium unit
- A cooperative unit or unit in a mutual housing project (if state law recognizes these as forms of homeownership)
- A manufactured home, including a mobile home, which is not on a rented lot.

9 Structure for Terms of Assistance

The form of assistance for households earning no more than 60% of Area Median Income (AMI) will be a non-amortizing, 0% interest subordinate loan. The subordinate loan will be due on sale, refinance, or transfer to a non-qualified owner during the affordability period. The loan will be forgiven at a rate of 20% of the principal balance per year during the last 5 years of the affordability period (1/5th per year for 5 years). The affordability period is Ten (10) years when the award is from \$1,500 to \$40,000 and Fifteen (15) years for awards over \$40,000.

10 Buyer Equity

The pre-rehabilitation value of the home must be determined by appraisal before any rehabilitation work is performed. Award and Restrictive Covenants will be placed on the property for a period of no more than 15 years. During this time, any action that triggers the lien (sale, transfer or refinance) may cause repayment of all or part of the monies.

Before any funds are disbursed, the Award and Restrictive Covenant Agreement or Tribal Land Award Agreement must be executed by the homeowner. The Agreement is

to be recorded at project completion by the Eligible Partner and delivered to MFA Leveraging Resources.

MFA realizes that it may take more than the “maximum” amount of HOME funds to adequately rehabilitate the home. Leverage of other funding sources is highly encouraged.

11 Servicing

MFA will retain the original award/loan documents and maintain the loan records. All payments, if applicable, will be made directly to the MFA.

12 Income Limits and Determination

The Income Limits to be used to determine eligibility shall be those established by the U.S. Department of Housing and Urban Development (HUD) and published annually.

Determination of Income

For the purpose of determining eligibility for HOME assistance, the HOME regulations require that we project a household's annual income. Annual Income is the GROSS amount (before deductions) of income of all adult household members ANTICIPATED to be received during coming 12-month period. In order to accomplish this, a “snapshot” of the household's current circumstance can be used to project future income. We can then assume that a household's current circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary. As a general rule, this method should be used even when it is not clear that the type of income currently received will continue in the coming year.

The exception to this rule is when documentation is available or provided that shows current circumstances are about to change. It is important to clarify and understand the basis on which employees are paid. An employee who gets paid "twice a month" may actually be paid either twice a month (24 times a year) or every two weeks (26 times a year). Be sure to get clarification! Similarly, it is important to identify whether overtime is an occasional occurrence or if it is a fairly predictable component of an employee's income. An annual salary is counted as annual income regardless of the payment schedule.

Income Inclusions:

- Wages, salaries and tips, including overtime, commissions and bonuses
- Net income from operation of business
- Interest, dividends, net income from any real or personal property
- Social Security, annuities, pensions, disability or death benefits
- Unemployment and disability compensation
- Welfare assistance
- Alimony, child support and regular contributions or gifts
- Armed Forces income, except as listed in Exclusions

Income Exclusions:

- Income from employment of children under age 18
- Foster Care payments
- Inheritance and insurance income paid in a lump sum
- Medical expense reimbursements
- Income of live-in aides
- Student financial aid
- Hostile Fire pay
- Self-Sufficiency Program Income
- Gifts – temporary, nonrecurring or sporadic income
- Reparation payments
- Income in excess of \$480 for full-time students 18 or older, except head of household or spouse
- Adoption assistance payments
- Family Support Act income
- Deferred period amounts from SSI and Social Security benefits received in a lump sum amount
- Property Tax refunds
- Home care assistance
- Other Federal Exclusions – Food Stamps, VISTA, LIHEAP payments, Scholarships and work study, earned income tax credit, JTPA or equivalent

Determining asset income:

ASSETS

Assets are defined as cash or non cash item that can be converted to cash. Under Part 5, the income earned from the asset – not the value of the asset – is counted.

Income anticipated to be received from the asset during the coming 12 months.

- Savings account interest – current account balance multiplied by current interest rate
- Checking account – average monthly balance over a 6 month period
- If value of all assets is \$5,000 or more, Part 5 requires an “imputed” calculation based on Passbook Rate of 2%
- Assets sold below fair market value – any asset disposed of for less than fair market value during 2 years preceding income determination is counted as if household still owned asset. (Does not include assets disposed of as a result of foreclosure or bankruptcy, or in a separation or divorce settlement if applicant received important consideration not measurable in dollar terms.

Asset Inclusions:

- Cash held in savings (current balance), checking (average 6-month balance)
- Cash value of revocable trusts that are accessible
- Equity in rental property or other capital investments
- Cash value of stocks, bonds, T-bills, CD’s and money market accounts
- Individual retirement and Keogh accounts, even though withdrawal would result in a penalty
- Retirement and pension funds
- Cash value of life insurance policies available before death
- Personal property held as an investment

- Lump sum or one-time receipts
- Mortgages or deeds of trust

Asset Exclusions:

- Necessary personal property
- Interest in Indian trust lands
- Assets not effectively owned by applicant
- Equity in cooperatives in which family lives
- Assets not accessible to and that provide no income for the applicant
- Term life insurance policies
- Assets that are part of an active business

12.1 Acceptable Methods of Verifying Income and Assets

The three methods for verifying income and assets are:

1) **Third-party written verifications** are preferred. Correspondence should take place between the third party and the owner -- the prospective tenant should not provide any documentation. It is acceptable for third parties to fax verifications to owners.

2) **Firsthand verification** is appropriate in certain circumstances (i.e., when a tenant is self-employed). Forms of verification include:

- Paycheck stubs (minimum of 2 paystubs)
- Bank statements
- Copies of legal documents (e.g., court awarded child care payments, etc.)

3) **Oral (telephone) verifications** may be used only as a last resort. The owner should complete, sign, and date a form identifying the oral source. A sample form is included in Appendix E. The applicant/tenant should also sign a notarized statement confirming the information.

Timing of Income Determinations

Income determinations must be completed before HOME assistance is provided. Income need not be reexamined at the time HOME assistance is actually provided unless more than six months has elapsed since the initial determination.

13 Refinancing

Program funds may not be used to refinance existing loans or grants.

14 Manufactured Homes

Mobile or manufactured homes are eligible for rehabilitation under this program. Home funds may be used to purchase manufactured homes to replace homes that are too costly to rehab but the new manufactured home must be placed on the original foundation. Homes on rental lots do not qualify for this program. On a case by case

basis, MFA may, at times, allow the purchase of a larger manufactured home to accommodate overcrowding in the original home or if there is no manufactured home that is the same size as the home it is replacing.

All work must meet MFA and HUD Construction Standards, local building code and manufacturer's warranty requirements, AND MUST BE PERFORMED BY A CONTRACTOR LICENSED FOR MANUFACTURED HOMES. Program funds can be used to secure a manufactured home to a permanent foundation.

15 Flood Insurance

Owners of properties located in floodplains as identified by the Federal Emergency Management Agency shall be required to obtain and maintain Flood Insurance as a condition of receiving funding.

16 Lead-Based Paint

HUD has revised and consolidated its lead-based paint regulations, which are listed in *24 CFR Part 35* and can be found at www.hudclips.org. The changes enacted by the new regulation affect rehabilitation. Major changes under the new lead-based paint regulation include notification, lead hazard evaluation, lead hazard reduction, ongoing maintenance, and addressing children with Environmental Intervention Blood Lead Levels.

On April 22, 2008, EPA issued [a rule requiring the use of lead-safe practices](#) and other actions aimed at preventing lead poisoning. Under the rule, beginning in April 2010, contractors performing renovation, repair and painting projects that disturb lead-based paint in homes, child care facilities, and schools built before 1978 must be certified and must follow specific work practices to prevent lead contamination.

All Eligible Agencies must certify and comply with applicable lead-based paint regulations listed in *24 CFR Part 35*.

17 Environmental Reviews

All projects are subject to an environmental review and must receive appropriate clearance prior to any funds expenditure. No funds will be committed until the environmental is cleared by MFA. Beginning with Program Year 2013, MFA will no longer be the Responsible Entity for local governments and Tribal Entities (but not Tribal Housing Authorities). Local governments and Tribal Entities will be required to perform their own environmental reviews and submit a Request for Release of Funds to MFA. MFA will issue the Authority to Use Grant Funds. Evidence of the review must be submitted with the Reservation Request.

For all other entities, the submission of the Appendix R must be submitted along with the following back up documents:

1. **Historic Preservation** – New Mexico State Historic Preservation Office (SHPO) letter for any homes that are 45 years old, in a historic district or have potential to effect historic properties in the area.
2. **Floodplain** – FEMA map, Google Earth/Stay Dry map or Letter of Determination from the local Floodplain Manager.

3. **Noise control and abatement** – Google map or Mapquest showing location of properties. Abatement required for properties located within 1000 ft. of a 4 lane highway, 3000 ft. of a railroad or 5 miles of a civil airport.
4. **Explosive, Flammable Operations and Toxic/Contamination** – Conduct site analysis to determine proximity to facilities that store, process or manufacture hazardous substances of fire or explosive prone nature. Determine that site is free of hazards that could affect the health and safety of occupants. Date and name of person conducting the site inspection must be included on the Appendix R.

Other Requirements

1. The Eligible Agency will be responsible for guaranteeing that the work is properly inspected and completed. It will be the obligation of the Eligible Agency to insure that the property meets all code requirements, construction standards and other HOME requirements, including but not limited to those associated with HQS and lead-based paint.
2. In the event that compliance monitoring indicates deficiencies in any of the units, funding may be immediately discontinued on all pending projects.

18 Subsidy Amounts

The minimum subsidy per unit for each tier is \$1,500. The maximum subsidy will be \$65,000. The construction costs will be capped at \$55,000. In the event of an unforeseen circumstance that was not identified during the initial work write-up, MFA may allow an Eligible Partner to exceed the \$55,000 cap.

Administrative and Soft Costs

MFA may pay an Eligible Agency up to 3% of the total project cost as administrative fees for all projects. The Soft Costs (up to \$10,000) are for direct project related salaries for project management and for the costs of the Title Search, Appraisal, advertisements for bids, recording fees and legal fees. The Administrative costs for the program may be used for non-direct project related activities that contribute to the agency's rehabilitation program. Neither Soft Costs nor the Administrative costs may be passed to the borrower.

19 Federal Requirements

Table 2 identifies the other federal requirements that must be followed when HOME funds are used for rehabilitation of homeowner properties.

- **Table 2: Other Federal Requirements**

Other Federal Requirements	Apply to Homeowner Rehabilitation	Special Issues/ Considerations	Regulatory Citations and References
<ul style="list-style-type: none"> • Non-Discrimination and Equal Access Rules 			
Fair Housing and Equal Opportunity	Yes. Must affirmatively further Fair Housing.		<ul style="list-style-type: none"> • 92.202 and 92.250 • Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.) • Fair Housing Act (42 U.S.C. 3601-3620) • Executive Order 11063 (amended by Executive Order 12259) • Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) • 24 CFR 5.105 (a)
Affirmative Marketing	No		<ul style="list-style-type: none"> • 92.351
Handicapped Accessibility	No. (Note: Accessibility improvements are eligible costs.)		<ul style="list-style-type: none"> • Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8) • For multi-family buildings only, 24 CFR 100.205 (implements the Fair Housing Act)

- **Employment and Contracting Rules**

Other Federal Requirement	Apply to Homeowner Rehabilitation	Special Issues/ Considerations	Regulatory Citations and References
Equal Opportunity Employment	Yes	<ul style="list-style-type: none"> • Small projects offer opportunities for minority and resident-contractors. 	<ul style="list-style-type: none"> • Executive Order 11246 (implemented at 41 CFR Part 60)
Section 3 Economic Opportunity	Yes, if amount of assistance exceeds \$200,000 OR contract or subcontract exceeds \$100,000.	<ul style="list-style-type: none"> • Include Section 3 clause in contracts and subcontracts. 	<ul style="list-style-type: none"> • Section 3 of Housing and Urban Development Act of 1968 (implemented at 24 CFR Part 135)
Minority/ Women Employment	Yes	<ul style="list-style-type: none"> • Grantees must develop procedures and include in contracts and subcontracts 	<ul style="list-style-type: none"> • Executive Orders 11625, 12432 and 12138 • 24 CFR 85.36(e)
Davis Bacon	No.		<ul style="list-style-type: none"> • 92.354 • Davis Bacon Act (40 U.S.C. 276a-276a-5) • 24 CFR Part 70 (volunteers) • Copeland Anti-Kickback Act (40 U.S.C. 276c)
Conflict of Interest	Yes		<ul style="list-style-type: none"> • 92.354 • 24 CFR 85.36 • 24 CFR 84.42
Debarred Contractors	Yes.	<ul style="list-style-type: none"> • Grantees should check HUD's list of debarred contractors. 	<ul style="list-style-type: none"> • 24 CFR Part 5

Environmental Reviews	Yes	<ul style="list-style-type: none"> • Neighborhood reviews may facilitate targeted programs, but individual checklists still required for each project site. • Special attention should be paid to flood insurance, noise and historic requirements 	<ul style="list-style-type: none"> • 92.352 • 24 CFR 85.36 • 24 CFR 85.42
Flood Insurance	Yes.	<ul style="list-style-type: none"> • Must obtain flood insurance if located in a FEMA designated 100-year flood plain. • Community must be participating in FEMA's flood insurance program. 	<ul style="list-style-type: none"> • Section 202 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106)
Site and Neighborhood Standards	No.	19.1	<ul style="list-style-type: none"> • 24 CFR 893.6(b)
Lead-Based Paint	Yes for pre-1978 units	<ul style="list-style-type: none"> • Notices to owners. • Paint testing of surfaces to be disturbed. • Risk assessment, if applicable, based on the level of rehabilitation assistance. • Appropriate lead-hazard reduction activity (based on level of rehabilitation assistance). • Safe work practices and clearance. • Provisions included in all contracts and subcontracts. 	<ul style="list-style-type: none"> • 92.355 • Lead Based Paint Poisoning Prevention Act of 1971 (42 U.S.C. 4821 et.seq.) • 24 CFR Part 35 • 982.40(j) (except paragraph 982-401(j)(1)(i)) 19.2

Relocation	No.	<ul style="list-style-type: none"> • Owner occupied rehab is considered a “voluntary” action and does not allow for relocation. 	<ul style="list-style-type: none"> • 92.353 • Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) • 49 CFR Part 24 • 24 CFR Part 42 (subpart B) • Section 104(d) “Barney Frank Amendments”
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19.3 Financial Regulations

[2 CFR Part 200](#)

(Retrieved from http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl on December 29, 2014)

20 Program Administration Responsibilities

This chapter describes how HOME funds may be used to assist owners in the rehabilitation of owner occupied housing. It will cover:

- Eligible Activities
- Forms of Assistance
- Property Types
- Program design and implementation issues
- How to Determine Income Eligibility

Whenever HOME funds are used for rehabilitation, the work must be performed according to the grantee's written rehabilitation standard and the unit must be brought up to the applicable state or local code. This means grantees may not undertake some forms of special purpose homeowner repair programs, such as:

- Weatherization Programs
- Emergency repair Programs
- Handicapped Accessibility Programs

However, these three types of repairs are eligible if they are undertaken within a more comprehensive scope of work that brings the unit up to standard.

20.1 *Forms of Financial Assistance*

For homeowner rehabilitation programs, grantees most commonly use the following forms of assistance:

- Grants
- Deferred payment loans
- Non-interest-bearing loans
- Interest-bearing loans

20.2 *Eligible Costs*

Under HOME, both the actual cost of rehabilitating the housing and related soft costs are eligible. In order to meet the MFA Construction Standards and HOME regulatory requirement, the minimum subsidy per unit is \$1,500. The table below lays out the specific eligible HOME costs under a homeowner rehabilitation program:

Table 1 HOME Eligible Homeowner Rehabilitation Costs

HARD COSTS	SOFT COSTS
<ul style="list-style-type: none"> • Meeting the rehabilitation standards • Meeting applicable codes, standards and ordinances • Essential improvements • Energy-related improvements • Lead-based paint hazard reduction • Accessibility for disabled persons • Repair or replacement of major housing systems • Incipient repairs and general property improvements of a non-luxury nature site improvements and utility connections 	<ul style="list-style-type: none"> • Financing fees • Credit reports • Title binders and insurance • Recording fees, transaction taxes • Legal and accounting fees • Appraisals • Architectural/engineering fees, including specifications and job progress inspections • Project costs incurred by the grantee that are directly related to a specific project

Note: Homeowner rehab is not an eligible CHDO set-aside activity. CHDOs, like other nonprofits, may act as a sub recipient to the grantee.

20.3 Eligible Property Types

To be eligible for HOME assistance, a property must be:

- occupied by an income eligible homeowner; and
- the owner’s principal residence

The following property types must be included under the program:

- traditional single-family housing that is owned fee simple (this housing may contain one to four dwelling units)
- a condominium unit
- a cooperative unit or unit in a mutual housing project (if state law recognizes these as forms of homeownership)
- a manufactured home, including a mobile home

20.4 Program Requirements

Because the funds for this program are on a first-come, first-served basis, Eligible Partners must “reserve” funds for their specific project(s) by submitting a completed Reservation Request Form. There is also a House by House Reservation Program Procedure Checklist that lists the documentation that must be submitted with this form as well as when other documents need to be sent throughout the rehab process.

HOUSE BY HOUSE RESERVATION PROGRAM PROCEDURE CHECKLIST (revised 11/2016)

- **STEP ONE: HOMEOWNER VERIFICATION PACKAGE**
 - Reservation Request Form
 - Client Application
 - Title Search – Certificate of Clear Title (Not applicable for Tribal)
 - Copy of Needs Assessment
 - Scope of Work
 - Detailed Cost Estimate
 - UPCS with deficiencies clearly listed
 - Mobile Home teardown and replacement must include site prep, foundation or permanent tie-down, grading, utility hookups to existing or new service, skirting and any other costs that are not included in the purchase and delivery of the unit.
 - Homeowner signed Lead Based Paint Notification and Distribution of LBP Pamphlet
 - Homeowner Income Verification and copies of source documents
 - All adult members of the household 18 and older included
 - Documentation of adult household members receiving no income
 - Environmental Review Tier II Site-Specific Checklist with all back up documentation
 - Maps-floodplain, coastal, runway clear, highway, railroad, civil airport, military airfield
 - SHPO letters (if applicable)
 - Noise abatement (if applicable)
 - Explosive & flammable operations
 - RCRA infosearch sheet
 - Property Appraisals –(Non-profit, For-Profit or Local Governments) **or** Property Value Verifications –(Tribal entities)
 - 95% After Rehab and Cost Reasonableness Certification
 - Schedule K – Project Budget
 - *Accurate* Home House by House Program **Set Up** and Completion Form
- **STEP TWO: Project Acceptance Notice**
 - MFA will email a Project Acceptance Notice that must be signed by the Agency and faxed or scan/emailed back to MFA. THIS DOES NOT COMMIT FUNDS TO THE PROJECT.

- **STEP THREE: Award and Restrictive Covenants Agreement/Tribal Land Award Agreement**
 - MFA will email the project number has been assigned along with the Award and Restrictive Covenant/Tribal Land Award Agreement. This action commits the funds to the project along with the 180 day clock that begins on the date the emailed project number is emailed to the agency. This document must be signed prior to commencement of work.
- **STEP FOUR: Request for Reimbursement provide the following documents to MFA:**
 - Copy of print screen of www.sam.gov for Contractor – must submit with each request
 - Request for Reimbursement form accurately checked with all numbers and balances
 - Timesheets for all direct project related salaries for project management time spent on each project. Timesheet must be dated and signed by a supervisor.
 - Progress Inspection Sheet/Field Inspection Reports with photos – must submit with requests for reimbursement where Construction costs for the period are being billed.
 - Copy of Contractor Payment Request and/or any material receipts
- **STEP FIVE: To receive final payment, submit the following:**
 - Original recorded Award and Restrictive Covenants Agreement/ Tribal Land Award Agreement.
 - *Accurate* Home House by House Program Set Up and **Completion** Form
 - Copies of authorized change orders, if applicable
 - Release of liens by contractor and subcontractors.
 - Request for Reimbursement with copy of contractor final invoice, Lead-Based Paint (if applicable) and Asbestos (if applicable)

In addition to the documents listed above, the following documents must be maintained in the Agency's Client File:

- Copy of Award and Restrictive Covenants Agreement or Mortgage and Promissory Note.
- Evidence of Property Ownership (Fee Simple or 99 year leasehold interest only)
- Print Screen of SAM.Gov search of Homeowner
- Evidence of Flood Insurance (if applicable)
- Copy of bid documents and advertisement.
- Pre-Construction Conference Report with Contractor Certification of eligibility to perform federal work (SAM.gov).
- Copy of executed Construction Contract with scope of work attached as an Exhibit.
- Copies of Lead-Based Paint Risk Assessment, Notification Certification(s), and Clearance (if applicable)
- Resource Efficiency Checklist
- Punchlist (if applicable)

Loan Documentation

MFA provides loan documents to each sub-grantee as part of their contract. The loan documents **MUST** be signed by the homeowner prior to the commencement of rehabilitation, **BEFORE** any HOME funding is drawn down. If, after rehabilitation, there

have been changes to the construction contract resulting in monetary changes to the loan documents, the original loan document should be corrected to reflect the changes and the entire document must be re-recorded. Agency must inform the MFA Program Manager of the revised amount via email. The MFA Program Manager will amend the front page and will email the front page back to the Agency. Homeowner must initial the change to the document before the document is recorded with the county. The loan documents are:

- Award and Restrictive Covenants Agreement
- Tribal Land Award Agreement

All loan documents must be made payable to MFA and transmitted to MFA after completion of the rehabilitation work. The sub-grantee retains copies of the loan documents in their files.

20.5 Project Set Up/Completion & Invoicing Requirements

Set Up/Revision/Completion Forms

All HOME projects are assigned a unique 4 digit numeric code. The process to assign the code starts with the sub-grantee's submission of a Project Setup/Revision/Completion Form. This form contains all the information regarding the project including but not limited to:

- Name and address of homeowner
- Estimated Project Cost for HOME funds, Soft Costs, Lead Based Paint cost and all other funding used as leverage
- Demographic information

The Set Up Form is submitted to MFA by the sub-grantee at the point in the project where the applicant/homeowner has provided all the required income and homeowner documentation to the sub-grantee and the Environmental has been completed. The Set Up Form can be sent to the MFA Program Manager via fax, emailed or regular mail. During the construction phase, project costs can increase or decrease, therefore, anytime the original Estimated Project Cost changes, a Revision must be submitted to MFA. At the end of the project, the sub-grantee must submit a Completion Form to the MFA Program Specialist which reflects the final HOME Project Cost and all other funding sources that went into the project. Additionally, the sub-grantee will also send the Final Request for Reimbursement and the original Award and Restrictive Covenant (or the corrected, re-recorded original).

Requests for Reimbursement

Sub-grantees are reimbursed for hard and soft costs incurred on a given project. All requests for reimbursements must have corresponding backup documentation such as, contractor/vendor invoices, material receipts; time sheets showing time spend providing project management, copies of check payments, etc. MFA will only accept a Request for Reimbursement that has the original authorized official signature and all corresponding backup documentation.

There are 3 sections to the Request for Reimbursement. The first section contains Sub-grantee information, contract information and Activity Cost and Soft Costs.



Request for Reimbursement
New Mexico Mortgage Finance Authority

YOU MUST CHECK ONE

- Direct Deposit
- Check

HOME FUNDS— House by House Reservation Program Only

Agency ABC Agency Telephone (505)555-5555
 Contact Person XXX Tax I.D. No XX-XXXXXXX
 Mailing Address 123 4th St SW, Albuquerque, NM 87102 Invoice No 1

Contract #: 15-01-XXX-HOR-001 Date: 7/1/15

REQUEST FOR REHAB ACTIVITY FUNDS (HARD and SOFT COSTS ONLY)						
HUD Project No.		Set-up Amount	Project Funds Requested	YTD Expenditures	Setup Balance	Interim / Final (I/F)
	Construction	55,000.00	15,000.00	15,000.00	40,000.00	
	Soft Costs	10,000.00	750.00	750.00	9,250.00	
	TOTALS	65,000.00	15,750.00	15,750.00	49,250.00	

A completed Project Completion Report Form must be provided for each project on all final draw-down requests. Requests submitted without, or with incomplete reports **WILL NOT** be processed until a completed report is provided.

The second section contains the Administrative Fee this project qualifies for (up to 3.0 %).

REQUEST FOR REHAB ADMINISTRATIVE FUNDS ONLY				
HUD Project No.	HOME Funds Requested	Admin % Multiplier (0.030)	Admin. Funds Requested	Interim / Final (I/F)
	15,750.00	3.0%	472.50	I
TOTALS	15,750.00		472.50	

The third and final section contains the Lead Based Paint charges (if applicable) and the sub-grantee's authorized signatory.

All requests for LBP must have an accompanying invoice for work done. All requests for Clearance Testing must have a Contractor's Invoice that includes the address of the project.

REQUEST FOR LEAD BASED PAINT GRANT ACTIVITY FUNDS ONLY				
HUD Project No.	Set-up Amount	LBP Funds Requested	YTD Expenditures	Setup Balance
	400.00	400.00	400.00	0.00
TOTALS		400.00		

I hereby certify that the total amount due, \$ 16,622.50 is true, correct, and was expended in the performance of services related to the completion of the Scope of Work for the Agreement.

 Authorized Official Signature Date

 MFA Approval Date

For Accounting Use Only

20.6 Financial Management Requirements

21 Income Limits

Income limits affecting this program are determined and published annually by HUD and posted to the MFA website at <http://www.housingnm.org/home-income-rent-limits>

Eligibility for this program is determined in part by median income.

22 Construction Standards

General Purpose and Scope

The intent of Homeowner programs undertaken with funding from the HOME Investment Partnerships Program is to provide safe, decent, and sanitary housing for low income individuals and families. The HOME Program mandates that all housing assisted with HOME Program funds meet certain property standards. Under 24 CFR Part 92.251 (a)(1) *“Housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of the project completion... The participating jurisdiction must have written standards for the rehabilitation that ensure that HOME-assisted housing is decent, safe, and sanitary.”* The purpose of these written Construction Standards is to establish the minimum standards which any housing unit constructed or rehabilitated with HOME funds must meet.

Compliance with the Construction Standards will be evidenced by on-site Housing Quality Standards inspections, documentation by the issuance of a Certificate of Occupancy by the local code authority and/or other certification by authorized officials that the work meets the code standards. For example, if the only work performed on the home was electrical, compliance would include documentation of approved electrical inspection.

Resource Efficiency and Healthy Homes Building Requirements

Resource Efficiency will be integrated in the rehabilitation process using an approach that balances social, economic, and environmental factors. MFA considers environmental sensitivity and “high performance characteristics” [h20/energy efficiency] as the objectives of the projects. These could include:

- Energy Efficiency
- Water efficiency
- Health materials [indoor environmental quality]
- Remediation of Health Hazards
- Waste reduction
 - Job site recycling
 - Efficient use of materials

For projects being rehabilitated with funds under the **Neighborhood Stabilization Program**, in addition to the construction standards, all homes will receive a Housing Energy Rating System (HERS) assessment. Homes must achieve a 25% reduction on

the final HERS Index from the initial rating, and are not required to increase efficiency beyond the target HERS Index of 85. The process will include an initial assessment, energy improvement specifications, and then a final audit to confirm the house meets the threshold.

Sub-grantees shall make every effort to work with the **New Mexico Energy\$mart Program** to ensure that weatherization activities are performed for each property rehabilitated. Sub-grantees are required to provide waiting lists on a quarterly basis to their regional New Mexico Energy\$mart Provider and to the MFA NMES Program Manager. If the property in question cannot be weatherized by the **New Mexico Energy\$mart Program**, sub-grantees shall be required to perform weatherization activities which are outlined later in this section.

Resource Efficiency Standards for Owner-Occupied Rehabilitation Projects will go into effect beginning in Program Year 2009 and are documented as follows:

High Efficiency Toilets:

High Efficiency Toilets: All toilets with a flush capacity over 1.6 gallons are to be replaced. Replacement toilets must be high efficiency toilets (HETs), which use less than 1.6 gpf, including pressure-assist toilets that consume as little as 1.0 gpf, gravity-flush toilets that consume 1.28 gpf, and dual-flush toilets that offer two flush volumes. If possible, choose a toilet that has been through third-party MaP (maximum performance) testing and is rated in grams; look for MaP test results of 350 grams or higher or for toilets that meet the new EPA WaterSense program requirements.

Low Flow Fixtures:

All shower heads with a flow over 2.0 gpm are to be replaced and all faucets are to be modified or replaced to achieve the following flow capacities:

- Kitchen Faucets: Install a low-flow faucet aerator to 1.5 gpm. These can be of the fixed-type or the flip-type.
- Bathroom Faucets: Install a low-flow faucet aerator to 1.0 gpm. These should be fixed.
- Showerheads: Install showerheads that use 2.0 gpm.

Appliances:

All appliances (including refrigerators) that do not meet Energy Star standards are to be replaced new units that meet Energy Star standards.

If replacing the following appliances, replacement units must carry **Energy Star certification** for the following:

- Dishwashers
- Clothes Washers
- Room Air Conditioners
- Central Air Conditioners
- Ceiling and Ventilating Fans
- Boilers, Furnaces or Heat Pumps
- Programmable Thermostats

HVAC:

If replacing components of the HVAC system of a home, new HVAC systems must be properly sized to ensure energy efficiency. To ensure proper sizing and installation, follow the Energy Star/ACCA Quality Installation Standards (www.acca.org/quality/) and to manufacturers specifications.

Water Line and Water Heater Insulation:

If replacing or repairing water lines or water heaters, provide proper insulation of these components to improve energy efficiency. Select durable pipe insulation, and tightly insulate as many water lines, hot and cold, as possible. For water heaters, use water heater blankets, and ensure that the air flow beneath gas-fired natural draft water heaters is not blocked. Follow the manufacturer’s instructions for installation of all water pipe and water heater insulation.

Wall, Ceiling and Roof Insulation:

If repairing or replacing wall or ceiling/attic/roof insulation, ensure that new insulation adheres to the following standards and is formaldehyde-free:

Insulation				
	Ceiling R-Value	Wood Frame Wall R-Value	Mass Wall R-Value	Floor R-Value
Zone 5	49	20 or 13+5 ^h	13/17	30
Zone 4	49	20 or 13+5 ^h	8/13	19
Zone 3	38	20 or 13+5 ^h	8/13	19

Flooring:

Hard-surfaced Flooring:

When replacing flooring, utilize hard-surfaced, resilient flooring materials, such as tile, wood, wood-laminate, bamboo, cork, natural linoleum, or finished concrete. When installing flooring using glues, use only low-VOC, formaldehyde-free adhesives.

Carpet:

When removing carpet, replace it with hard-surfaced flooring when possible. When carpet is installed, it should be located only in low-moisture areas. All carpet should be tacked down, not glued. When possible, choose carpet products that are made from natural materials, such as wool, cotton, jute or hemp, but which have not been treated with pesticides or contain residues from dyes and finishes used in manufacturing.

Windows and Exterior Doors:

When replacing windows and exterior doors, adhere to the following standards set by Energy Star for minimum National Fenestration Rating Council (NFRC) ratings for U-Factor and Solar Heat Gain Coefficient (SHGC) for the particular geographic region:

Windows			
	Fenestration U- Factor	Skylight U- Factor	Glazed Fenestration SHGC
Zone 5	0.32	0.55	NR
Zone 4	0.35	0.55	NR
Zone 3	0.35	0.55	0.25

The following are the 2012 IECC Climate Zones in New Mexico:

2012 IECC Climate Zone	New Mexico Counties
CZ3 (South/Central)	Chaves, Dona Ana, Eddy, Hidalgo, Lea, Luna, Otero
CZ4 (North/Central)	Bernalillo, Cibola, Curry, De Baca, Grant, Guadalupe, Lincoln, Quay, Roosevelt, Sierra, Socorro, Union, Valencia
CZ5 (Northern)	Catron, Colfax, Harding, Los Alamos, McKinley, Mora, Rio Arriba, San Juan, San Miguel, Sandoval, Santa Fe, Taos, Torraine

Paints and Finishes:

When painting or applying finishes, use only low- or zero-VOC (volatile organic compounds) paints, primers, sealants, adhesives, coatings and other finishes. Also, avoid plastic-coated paper and vinyl wall coverings.

Composite Wood:

When installing or replacing composite wood, such as particle board and medium-density fiberboard (MDF), ensure that products are free of urea-formaldehyde, and do not install these materials in high-humidity or high-moisture areas. When composite wood must be used, choose products that are moisture-resistant, such as particle board and MDF produced with MDI (polyurethane) or phenol-formaldehyde binders. This standard also applies to cabinetry and furniture made with composite wood.

Integrated Pest Management:

Do not use any insecticides. Use Integrated Pest Management methods to control pests. Seal all cracks, holes and crevices on interior surfaces and exterior surfaces to prevent access by pests. Use copper mesh to plug larger holes prior to finishing with plaster or drywall. Do not use steel wool. Place a thin dusting of 98% boric acid under kitchen cabinets, in wall cavities, cracks and crevices in the kitchen.

(www.doyourownpestcontrol.com)

Operations and Maintenance:

- Provide a guide for homeowners that explains the intent, benefits, use and maintenance of green building features, along with the location of transit stops and other neighborhood conveniences, and encourages additional green activities such as recycling, gardening and use of healthy cleaning materials, alternate measures for pest control, and purchase of green power.
- Provide a walk-through and orientation to the homeowner or new resident using the guide for homeowners from above that reviews the building's green features, operations and maintenance along with neighborhood conveniences.
- A template for the guide for homeowners is available at:
www.hud.gov/offices/hsg/omhar/paes/green/owner/43health.doc

NM EnergySmart Program Energy-Saving Measures

The following outline reflects the measures undertaken during the weatherization of a home. The detailed technical standards can be found on the MFA website at <insert address>.

1. Pre-Weatherization Energy Audit, Energy Audits, and Final Inspections
2. Diagnostic Testing Procedures
3. Client Education
4. Health and Safety Requirements
5. Air Sealing Guidelines
6. Insulation Requirements
7. Windows and Doors
8. Space Conditioning
9. Baseload Measures
10. Renewable Technologies

1. General Code Compliance Requirements

a. Existing Code Sources. As of January 1, 2015, all new rehabilitation work performed, as well as all new construction, must meet the requirements of: the “International Residential Code” (IRC 2009), the “Universal Plumbing Code” (UPC 2012) and the “Universal Mechanical Code” (UMC 2015), the “National Electrical Code” (NEC 2002), the “New Mexico Building Code” (CID), and the “New Mexico Manufactured Housing Code” (NMMHD) under those editions which are currently adopted by the State of New Mexico Construction Industries Division and/or the New Mexico Manufactured Housing Division. Hereafter, these code sources shall be referred to collectively as the Building Code.

b. Potential Code Sources. In the event the New Mexico Construction Industries Division adopts additional codes (i.e. International Plumbing Code, International Mechanical Code, International Private Sewage Disposal Code) the requirements of those newly adopted codes shall be adhered to.

c. Uniform Physical Conditions Standards. In addition to the requirements established in this standard and the requirements of local codes, all units assisted with HOME Program funds must meet the Uniform Physical Condition Standards (UPCS) in 24 CFR 92.251(l)(viii). In rehabilitation projects where the work is performed on a portion of the home, the entire home must pass UPCS inspection criteria.

2. Structural Requirements

a. General. Residential structures may be of any type of construction that is permitted by the Building Code. Roofs, floors, walls, foundations, and all other structural components of the building shall be capable of resisting any and all forces and loads to which they may be subjected. All structural elements shall be proportioned and joined in accordance with the stress limitations and design criteria as specified in the appropriate sections of the Building Code. Buildings of every permitted type of construction shall comply with the applicable requirements of the Building Code.

2012 IECC Guidelines for Foundations

Foundation			
	Basement Wall R-Value	Slab R-Value And Depth	Crawl Space Wall R-Value
Zone 5	15/19	10, 2 ft	15/19
Zone 4	10/13	10, 2 ft	10/13
Zone 3	5/13	0	5/13

b. Shelter. Every building shall be weather protected as to provide shelter for the occupants against the elements and to exclude dampness. The roof covering shall be capable of accommodating required loads as specified in the Building Code. The roof shall provide a barrier against the weather to protect the supporting elements and the structure beneath. Roof covering materials shall be approved and installed in a manner consistent with the manufacturer's requirements and in accordance with the Building Code.

c. Protection of Materials. All wood shall be protected against termite damage and decay as provided for in the Building Code.

d. Foundations. The foundation and its' structural elements shall be capable of accommodating all superimposed live, dead, lateral, and all other loads in accordance with accepted foundation design practices. Lots shall be provided with adequate drainage and shall be graded as to drain surface water away from foundation walls. Finish grade shall be below floor grade as per the Building Code minimum requirements.

3. *Space and Occupancy Requirements*

a. Location on Property. Newly constructed buildings shall be located with respect to property lines and to other buildings on the same property as required by the Building Code.

b. Light. Habitable rooms within a dwelling unit shall be provided with natural light by means of exterior glazed openings (i.e. windows, skylights) with a minimum opening area of 10 square feet. Habitable rooms include those for living, sleeping, cooking and eating. Bathrooms, closets, halls, storage or utility space are not considered habitable rooms.

c. Ventilation. Habitable rooms within a dwelling unit shall be provided with natural ventilation by means of operable exterior openings (i.e. windows, doors) with a minimum opening area of 5 square feet. Bathrooms, laundry rooms, and similar rooms shall be provided with natural ventilation by means of operable exterior openings with a minimum opening area of 1½ square feet. In lieu of required exterior openings for natural ventilation, a mechanical ventilation system may be installed providing the number of air changes to meet code for the room being ventilated.

4. *Sanitation Requirements*

a. Plumbing Systems. An acceptable plumbing system consists of three separate parts: an adequate potable water supply system; a safe, adequate drainage system; and ample fixtures and equipment. All installations shall be consistent with the Building Code.

b. Septic Systems. A septic tank with the field located away from the house is acceptable in rural areas. Documentation or certification is to be obtained from the local health department or authorized local agency indicating that it is an approved sanitary system.

c. Bathrooms. Each unit must have a bathroom. The bathroom must be in a separate room with a flush toilet in operating condition. The unit must have a shower or a tub with hot and cold water in operating condition. These facilities must be connected to an approved disposal system. The facilities may be scattered within the unit (such as a toilet in one enclosure and washbasin in another area. The washbasin or sink must have a gas trap (drain trap). Floors of bathrooms shall be resistant to damage from water or dampness.

d. Kitchens. Each dwelling unit shall be provided with a kitchen which is defined as being a separate room or area of a larger room which is used primarily for preparation of meals and storage of food. A bedroom with a refrigerator in it cannot be defined as a kitchen. Defined by facilities contained, a kitchen or kitchen area must have a separate kitchen sink for preparing food and washing dishes, with piped hot and cold water which drains into an approved system, a stove for cooking food, a refrigerator for storing food and facilities for the sanitary disposal of food and refuse. The sink shall be of a nonabsorbent material. All appliances must be free of hazardous conditions including a damaged or broken stove, sink or refrigerator that endangers users. There must be no evidence of gas or water leakage that presents the danger of fire or electrical shock. The stove and refrigerator must be free of potential hazards due to improper hookup.

e. Fixtures. All plumbing fixtures shall be connected to a sanitary sewer or to an approved private sewage disposal system. All plumbing fixtures shall be connected to an approved system of water supply and be provided with hot and cold running water, except water closets may be provided with cold water only. All plumbing fixtures shall be of an approved nonabsorbent material. All sanitary facilities shall be installed and maintained in a safe and sanitary condition and in accordance with applicable requirements of the Building Code.

5. Mechanical System(s) Requirements

a. Heating. Dwelling units shall be provided with heating facilities capable of maintaining a room temperature of 70° F. (21.1°C.) at a point 3 feet above the floor directly or indirectly in all rooms used for living. Such facilities shall be installed and maintained in a safe condition and in accordance with all applicable laws and requirements of the Building Code. Un-vented fuel-burning heaters are not permitted. Wood, wood pellet or similar heating devices must be installed according to the manufacturer's directions and according to applicable requirements of the Building Code. All heating devices and wood burning heaters shall be of an approved type.

b. Evaporative Cooling Systems. Evaporative cooling systems shall be installed according to the manufacturer's guidelines. Evaporative cooling systems shall be installed so as to minimize the probability of damage from an external source. Every evaporative cooler shall be accessible for inspection, service and replacement without removing permanent construction.

c. Electrical Equipment. All dwelling units shall be connected to electrical power. Every habitable room shall contain at least one electrical convenience outlet and at least one electric light fixture. Every water closet compartment, bathroom, and laundry room shall contain at least one GFCI type electrical convenience outlet and one electric light fixture. Every kitchen shall have at least two GFCI type electrical convenience outlets and one electric light fixture.

d. Water Heaters. Gas water heaters may not be in bedrooms or other living areas unless safety dividers or shields are installed. Water heaters are to be properly installed and maintained with adequate venting, relief valves and discharge lines conforming to current Uniform Plumbing Codes.

e. Ventilation. Ventilation for rooms and areas and for fuel burning appliances shall be provided as required in the Building Code. Ventilation systems shall be maintained in good operational order.

6. Safety Requirements

a. Attached Garages. Garages attached to dwelling units shall be completely separated from the residence and its' attic area by means in accordance with the Building Code. Openings from a private garage directly into a room used for sleeping purposes shall not be permitted. Other openings between a garage and residence shall be equipped with a properly fire rated self closing door as prescribed by the Building Code. Garage and carport floor surfaces shall be of approved noncombustible material. That area of floor used for parking vehicles shall be sloped to facilitate the movement of liquids toward the main vehicle entry doorway.

b. Exits. Dwelling units shall have access directly to the outside or to a public corridor. All buildings or portions thereof shall be provided with exits that meet the local Building Code, Fire Code or considered adequate by the appropriate local officials. Sleeping rooms shall have at least one operable window or exterior door approved for emergency egress, escape, or rescue. The unit must be operable from the inside to a full clear opening without the use of separate tools.

c. Smoke Detectors. Each unit must have at least one hardwired (with battery backup) smoke detector in proper operating condition on each level of the dwelling unit, including basements but excluding crawl spaces and unfinished attics. Smoke detectors are to be installed inside of each separate sleeping area or bedroom, in the corridor giving access to each separate sleeping area, and where there is a ceiling elevation change of two feet or more. Detectors must be installed in accordance with and meet the requirements of National Fire Protection Association Standard (NFPA) 72. For assistance in determining specific requirements mandated by the standard, agencies should contact State or local fire officials with jurisdiction over the proposed property and with expertise concerning these requirements. If the unit is occupied by any hearing-impaired person, smoke detectors must have an alarm system designed for hearing impaired persons.

7. General Conditions

a. Substandard Conditions. When substandard conditions are encountered in a unit to be rehabilitated with HOME Program funds, all substandard items must be addressed. Any building or portion thereof which is determined to be an unsafe building in accordance with the Building Code or Uniform Physical Conditions Standards, or any building or portion thereof including any dwelling unit in which there exists any conditions that endangers life, limb, health, property, safety, or welfare of the public or occupants thereof shall be deemed to be substandard.

b. Structural Hazards. Buildings or portions thereof shall be deemed substandard when they are or contain structural hazards. Structural hazards shall include, but not be limited to, the following:

- Deteriorated or inadequate foundations
- Defective or deteriorated flooring or floor supports
- Flooring or floor supports of insufficient size to safely carry imposed loads
- Members of walls, partitions or other vertical supports that split, lean, list, or buckle due to defective material or deterioration
- Members of walls, partitions, or other vertical supports that are of insufficient size to carry imposed loads with safety
- Members of ceilings, roofs, and supports or other horizontal members which sag, split or buckle due to defective material or deterioration
- Members of ceilings, roofs, and supports or other horizontal members that are of insufficient size to carry the imposed loads with safety
- Condition of stairs, railings and porches that are hazardous or not sound
- Potential for collapse of the chimney or the chimney is not capable of safely carrying smoke, fumes and gasses from the unit to the outside

c. Nuisance. Buildings or portions thereof in which there exists any nuisance as defined in the Building Code are deemed substandard buildings.

d. Hazardous Electrical Wiring. Electrical wiring which was installed in violation of code requirements in effect at the time of installation or electrical wiring not installed in accordance with generally accepted construction practices in areas where no codes were in effect or which has not been maintained in good condition or which is not being used in a safe manner shall be considered substandard.

e. Hazardous Plumbing. Plumbing which was installed in violation of code requirements in effect at the time of installation or plumbing not installed in accordance with generally accepted construction practices in areas where no codes were in effect or which has not been maintained in good condition or which is not free of cross-connections or siphonage between fixtures shall be considered substandard.

f. Hazardous Mechanical Equipment. Mechanical equipment which was installed in violation of code requirements in effect at the time of installation or mechanical equipment not installed in accordance with generally accepted construction practices in areas where no codes were in effect or which has not been maintained in good and safe condition or which is not being used in a safe manner shall be considered substandard.

g. Faulty Weather Protection. Buildings or portions thereof shall be considered substandard when they have faulty weather protection. This is defined as conditions that would allow significant amounts of water or air to enter the unit which would result in damage such as the following:

- Deteriorated, crumbling or loose plaster or stucco
- Deteriorated or ineffective waterproofing of exterior walls, roof, foundation or floors, including broken windows or doors
- Broken, split, rotted or buckled exterior wall coverings or roof coverings
- Visible internal water damage that indicates roofing failure

h. Faulty Materials of Construction. The use of construction materials which are not specifically allowed or approved by the Building Code, or the use of approved materials which have not been adequately maintained in a good and safe condition, shall cause a building to be substandard.

i. Hazardous or Unsanitary Premises. The accumulation of weeds, vegetation, junk, dead organic matter, debris, garbage, offal, rat harborages, stagnant water, combustible materials and similar materials or conditions on a premises shall constitute fire, health or safety hazards and shall be abated.

j. Improper Occupancy. All buildings or portions thereof occupied for living, sleeping, cooking or dining purposes which were not designed or intended to be used for such occupancies shall be deemed substandard.

8. *Manufactured Homes*

a. General. Rehabilitation of manufactured homes may include using HOME funds to secure the home on a permanent foundation. Other rehabilitation of a manufactured home must comply with local codes, UPCS and manufacturer warranty conditions.

b. Anchoring. Manufactured homes must be securely anchored by a tie down device that distributes and transfers the loads imposed by the unit to appropriate ground anchors to resist wind overturning and sliding. Alternative types of anchors, beams and foundation bolts are permissible if they meet manufacturer's specifications.

c. Variances. Variances for areas of low wind zones may be approved. Requests for a variance with supporting documentation are to be submitted to MFA for review and transmittal to the local HUD Field Office for approval.

d. Smoke Detectors. One smoke detector is required. The detector must be present and in operating condition.

Acknowledgment of Reference and Source Material:

HOME Investment Partnerships Program; Final Rule 24 CFR Part 92 (July, 2013)

International Residential Code (for One- and Two-Family Dwellings); International Code Council (2009 Edition)

EPA Energy Star Program, URL: www.energystar.gov

ASID & USGBC Regreen Program, URL: www.regreenprogram.org

GreenHomeGuide, URL: www.greenhomeguide.com