



Housing New Mexico Homeowner Rehab Program Manual

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1. INTRODUCTION/OVERVIEW

Housing New Mexico aka the New Mexico Mortgage Finance Authority or “MFA” is a governmental instrumentality, separate and apart from the state, created by the Mortgage Finance Authority Act, N.M. Stat. Ann. Sections 58-18-1 1978 et seq. for the purpose of financing affordable housing for low- and moderate-income New Mexico residents.

Housing New Mexico is the State HOME Participating Jurisdiction (“PJ”) for the administration of the Federal HOME Investment Partnerships Program (“HOME”) funds allocated to the State of New Mexico. M Housing New Mexico has allocated a portion of the HOME funds for a HOME Rehabilitation Program (referred to in this Manual as the “Program” or “HOME REHAB”).

The purpose of the Program is to provide funding for the rehabilitation and essential improvements of homes occupied by eligible income qualified homeowners. Housing New Mexico provides HOME homeowner rehabilitation funding to local public agencies, tribal authorities and nonprofit agencies (called “Subrecipients” by Federal regulations) to serve specified areas of the State and directly administers homeowner rehabilitation funding in other areas to provide statewide availability.

To be eligible for HOME REHAB funding, a person must be a Homeowner whose “annual income” may not exceed eighty percent (80%) of the area median income, as determined by HUD, adjusted for family size, and must own and occupy a home, as their principal residence.

Rehabilitation assistance is provided to qualifying Homeowners in the form of a zero percent (0%) interest rate conditionally forgivable loan. Homeowners must execute a Restrictive Covenant Agreement (“RCA”) securing the property as collateral for the loan.

Rehabilitation work must primarily focus on work needed to bring the home into compliance with program property standards specified in this Manual.

Subsequent to the completion of the rehabilitation activities, continued ownership is required for up to 15 years (the “Restrictive Period”) and is subject to recapture provisions as outlined in this Manual and the RCA. If the owner sells the assisted property during the Restrictive Period other than outlined in the RCA, the portion of assistance that was not forgiven at the time of sale or transfer of the property will be repaid to Housing New Mexico.

1.1. HOUSING NEW MEXICO PROGRAM ADMINISTRATION

The HOME Rehabilitation Program is administered by qualified Sub-Recipients as well as Housing New Mexico’s HIP Program. A current list of providers and service areas are listed and updated at the link below: <https://housingnm.org/programs/home-rehabilitation-and-weatherization/home-rehabilitation-program>

Please refer all questions and inquiries to:
Daniel Rule - HOME Rehab Program Manager

505-308-4237

drule@housingnm.org

HOME funds for homeowner rehabilitation are made available to local governments, tribal authorities and nonprofits through a NOFA as funds become available. These local entities are classified as program Subrecipients under federal rules.

1.2. PURPOSE OF THE MANUAL & USERS

This Program Manual has been created by Housing New Mexico to guide Subrecipients under contract to Housing New Mexico in their administration of Program activities.

The Manual reflects both the Federal Regulations of the HOME Investment Partnerships Program (HOME) at 24 CFR Part 92 and the Housing New Mexico policies and procedures for the HOME REHAB Program.

This manual supersedes any previous HOME REHAB program manuals. As program changes may occur and/or HUD issues updated rules and guidance, the Manual will be updated to reflect regulatory changes. Updates will be available online and by notification to agencies with active contracts. However, please note that changes must be implemented when made effective by HUD, whether the update has been incorporated into this Manual.

All information and links throughout this manual are correct and current as of the date of revision/publication.

Translator Requirements:

All applicants/enquirers to this Program have a right to assistance in their language. All Subrecipients contracted to administer this program must have a policy in place to be able to accommodate individuals with limited English proficiency (LEP) that request a translator. Under no circumstances can any individual be denied a translator if requested.

1.3. PROGRAM FUNDING

The HOME Final Rule has been updated and takes effect for all projects to which funds are committed on or after February 5, 2024. This Manual has been updated to reflect the updated Rule. Projects committed prior to February 5, 2024 will continue to be implemented under the HOME Rule in effect prior to these changes.

1.3.1. HOME INVESTMENT PARTNERSHIPS PROGRAM

The HOME Investment Partnerships Program (HOME) was created by Title II of the National Affordable Housing Act of 1990, as amended. The Program is administered by the U.S. Department of Housing and Urban Development (HUD), and funds are distributed annually to States and local governments under formula allocation. These entities are referred to as HOME Participating Jurisdictions, or PJs.

Housing New Mexico is the PJ administrator of HOME funds allocated to New Mexico. Housing New Mexico allocates funding to various eligible housing activities, including homeowner rehabilitation, through its Consolidated Plan and Annual Plans, which are available at: <https://housingnm.org/resources/plans-and-reports/nm-consolidated-plan>.

HUD's HOME Program web page is located at:
https://www.hud.gov/program_offices/comm_planning/home.

However, most HOME Program resources can be found at the HUD Exchange:
<https://www.hudexchange.info/home>.

Key documents and other reference materials available through this HUD Exchange program page include:

- ◆ HOME Final Rule;
- ◆ HOME Program limits, including income limits and maximum price/value limits for homeownership housing;
- ◆ HUD (CPD) notices and memos;
- ◆ HOME Reports generated from IDIS (Integrated Disbursement and Information System), including deadline reports; and
- ◆ HOME Fires and HOME FACTS (Q&As for HOME and IDIS, respectively).

The HOME Program regulations are at 24 CFR Part 92, which can be accessed at:
<https://www.hudexchange.info/home/home-laws-and-regulations>.

HUD publishes a series of Notices to provide guidance on the implementation of the HOME Program. Notices identify the applicable statutory and regulatory requirements, but also provide guidance implementation of HOME activities and often provide “safe harbors”, or ways to implement activities that are presumptively permissible by HUD. The HUD Office of Planning and Community Development (CPD) issues notices that pertain to HOME (as well as many other CPD programs.) CPD Notices are labeled “CPD - __ - ____”. The middle two numbers are the year of issuance, and the last two or three numbers are the chronological issuance order. CPD Notices pertaining to the HOME Program can be accessed at:
<https://www.hudexchange.info/home/home-cpd-notices>.

All staff administering HOME funds should register for the HOME Program mailing list to be notified of any changes or new postings. It can be found at:
<https://www.hudexchange.info/maillinglist/>.

Staff administering HOME Rehab must also take the Building HOME Online course, at a minimum Modules 1 through 4, which can be found at:
<https://www.hudexchange.info/resource/2368/building-home-a-home-program-primer/>.

1.3.2. OTHER HOMEOWNER REHABILITATION FUNDING PROGRAMS

As a State HOME Participating Jurisdiction (PJ), Housing New Mexico is required to contribute or match no less than 25 percent of HOME funds with nonfederal funds leveraged from other sources. The match funding is covered through other activities, so the HOME Rehabilitation Program does not require a match source in any particular project.

Nevertheless, subrecipients are encouraged to leverage the funds and provide additional funding when possible. Whenever possible, eligible agencies should coordinate with Housing New Mexico's NM EnergySmart Weatherization Program Subrecipients to incorporate weatherization with all rehabilitation projects.

However, note that this Manual does not address the funding requirements of any other programs.

1.4. ORGANIZATION OF THE MANUAL

This manual is organized into **four chapters**:

- ◆ **Chapter 1:** Introduction
- ◆ **Chapter 2:** Summarizes regulatory requirements and state policies related to homeowner rehabilitation.
- ◆ **Chapter 3:** Provides a step-by-step outline of the homeowner rehabilitation project process.
- ◆ **Chapter 4:** Details program administrative requirements that subrecipients must follow in administering the overall grant.

Sections are numbered and include dynamic headings to facilitate quick lookups, dynamic linking, and manual updates. Program regulations, limits, and documents are accessible via dynamic links for online lookup and retrieval.

2. PROGRAM POLICIES

This Chapter summarizes the Program policies adopted by Housing New Mexico in compliance with HOME regulations and guidance. Any exception to these policies must be obtained in writing from Housing New Mexico.

2.1. AMOUNT & FORM OF ASSISTANCE

The HOME Program imposes limits on the amount and allowable use of HOME funds. As the administering Participating Jurisdiction (PJ), Housing New Mexico has established program limits as outlined in this section. These limits may be re-evaluated and modified by Housing New Mexico at its discretion.

2.1.1. MAXIMUM HOME ASSISTANCE PER PROJECT

HUD mandates maximum per-unit subsidy limits for this program, which are issued annually. As the State Participating Jurisdiction (PJ), Housing New Mexico has established an internal per-project cap that is more restrictive than HUD's limits. The intent of this lower threshold is to

prevent projects from approaching HUD's maximum limits while maximizing assistance to as many households as possible.

The maximum allowable project limit set by Housing New Mexico is **\$200,000**, inclusive of hard costs, soft costs, and project delivery costs. Soft costs and project delivery costs should not exceed 20% of hard costs. All projects must adhere to *Exhibit A: NM HOME Homeowner Program Rehabilitation Standards* when developing the Scope of Work. These standards ensure that no more funding than necessary is allocated to each project, based on property needs. They also promote cost reasonableness and consistency across the State.

To maintain compliance, **Quality Control reviews will be conducted randomly** to verify that all Scopes of Work align with the established Standards. Additionally, **100% of project files must be submitted to Housing New Mexico for review and approval** before IDIS setup. Project costs will be assessed for reasonableness based on these standards and comparable bids. While each Subrecipient must certify cost reasonableness, Housing New Mexico will conduct its own review to provide additional oversight and ensure compliance with Federal regulations.

Housing New Mexico may grant exceptions on a case-by-case basis if a Subrecipient submits a formal request for approval in advance. For example, a project with \$25,000 in hard costs may exceed \$5,000 (20%) in soft costs/project delivery costs. Exceptions to any PJ-imposed threshold are at the discretion of Housing New Mexico and may require multiple levels of approval. Subrecipients should allow sufficient time for review and approval when requesting exceptions.

2.1.2. FORM AND TERMS OF ASSISTANCE

The form and terms of HOME assistance for homeowners earning no more than 80% of the Area Median Income (AMI) are as follows:

- ◆ Non-amortizing, 0% interest loan.
- ◆ Principal loan amount also known as the Deferred Loan Payment(DPL) includes only the hard cost of rehabilitation, excluding project soft costs, and Subrecipient project delivery expenses.
- ◆ Subordinate to approved senior loans or first mortgages.
- ◆ Loan term based on DPL amount:
 - \$1,000 – \$24,999: 5-year term
 - \$25,000 – \$49,999: 10-year term
 - \$50,000 or more: 15-year term
- ◆ Restrictive Covenant Agreement must be executed and recorded.
- ◆ Loan repayment is due to Housing New Mexico if the property is sold, refinanced, transferred to a non-qualified owner, or if a default occurs during the affordability period.
- ◆ Loan forgiveness occurs at 20% of the principal balance per completed year during the final five years of the Restrictive Period (1/5th per year for five years).

2.2. ELIGIBLE COSTS

Eligible costs are specified in **24 CFR 92.206** and further described below.

2.2.1. PROJECT HARD & SOFT COSTS

Both the actual hard costs of home rehabilitation and the related soft costs are eligible project costs under the HOME Program. Project soft costs are third-party expenses incurred by the subrecipient to implement the project. *(In-house staffing costs incurred by the subrecipient to administer the project are considered project delivery expenses, as described in the next section.)*

The table below outlines the eligible hard and soft costs that may be reimbursed with HOME funds:

Eligible Project Hard Costs	Eligible Project Soft Costs
Rehabilitation costs (or reconstruction, if approved by Housing New Mexico) to meet Program Property Standards and all applicable codes, standards, and ordinances	Environmental review costs (external)
Repair or replacement of major systems or structural elements to meet useful life standards	Financing costs/fees
Incipient repairs and non-luxury improvements to address hazards as well as substandard conditions and ensure sustainable use	Title searches and insurance
Utility connections	Permits
Lead-based paint (LBP), radon, and asbestos hazard reduction	Recording fees and transaction costs
Accessibility modifications for persons with accessibility needs	Legal and accounting fees
Energy-related improvements	Appraisals
Any other activities listed in Exhibit A	Architectural/engineering fees, including inspections
	Homeowner relocation expenses

Other necessary third-party costs incurred by a subrecipient must be pre-approved by Housing New Mexico.

Reconstruction Guidelines: Reconstruction requires pre-approval from Housing New Mexico. Subrecipients must provide documentation, including a scope of work comparing rehabilitation vs. reconstruction to justify the need. Reconstruction is defined as rebuilding a structure on the

same lot where housing currently exists at the time of project commitment or was demolished within the last year.

A stick-built home may be reconstructed as either stick-built or modular housing if deemed cost-effective. Reconstruction also includes replacing a substandard mobile/manufactured home with a new manufactured home. **For mobile/manufactured home replacement, please refer to 24 CFR 92.51(e)**

While the number of rooms per unit may change during reconstruction, the total number of units must remain the same.

On a case-by-case basis, Housing New Mexico may allow the purchase of a larger manufactured home under the following conditions:

- To address overcrowding in the original home, or
- If no manufactured home of the same size is available as a replacement.

All replacement manufactured homes must comply with HUD's manufactured housing requirements as outlined in Section 2.5.2.

2.2.2. SUBRECIPIENT PROJECT DELIVERY COSTS

Project delivery costs are the staff, overhead and direct in-house costs that are incurred by the Housing New Mexico or Subrecipient to implement activities for specific HOME-assisted units. Project Delivery costs are authorized under 92.206(d)(6).

For the Homeowner Rehabilitation Program, the Subrecipient may charge staff time and for the following activities related to a specific project as Project Delivery Costs:

- ◆ Environmental review (in house)
- ◆ Application intake/processing
- ◆ Owner eligibility determination
- ◆ Initial inspections
- ◆ Work write-ups & specifications
- ◆ Project-specific environmental review & other federal compliance costs
- ◆ Bid documents, procurement and contracting
- ◆ Project document preparation
- ◆ Financing & closing
- ◆ Construction management & progress/final inspections

Note that Project Delivery costs:

- ◆ Are part of total project costs and therefore subject to the maximum per unit assistance limits
- ◆ May not also be charged to Administrative Costs;
- ◆ May not be charged to the owner or included in owner's promissory note or deed of trust; and
- ◆ Must meet the documentation requirements in Section 4.3.2 of this Manual.

2.2.3. ADMINISTRATIVE COSTS

Admin costs are staff, overhead and direct costs that the subrecipient incurs in order to administer or manage its overall HOME program. Admin Costs are authorized under 92.207 and include program-related costs such as general management, oversight and compliance costs. See 92.207 and Section 4.3.1 of this Manual.

Subrecipients may charge staff time, consultant time and other direct costs within the specified Administrative Cost limit provided in the approved budget. If a project does not receive a commitment and/or is not completed, the cost may not be charged as Project Delivery and may only be charged to Administrative Costs.

For Housing New Mexico homeowner rehabilitation programs, a Subrecipient may charge up to 5% of the Program Budget as Administrative Costs, an amount which is specified in the Subrecipient Contract.

2.3 HOUSEHOLD ELIGIBILITY

For a homeowner to be eligible for HOME homeowner rehabilitation assistance, the homeowner must:

- ◆ Be Low Income (at or below 80% AMI);
- ◆ Have ownership interest as permitted by the HOME final Rule; and
- ◆ Occupy the home as his/her principal residence.

2.3.1. INCOME

All units assisted with HOME funds, including owner-occupied units being rehabilitated, must be Low Income, which is at or below 80% of the Area Median Income (AMI) as defined annually by HUD. The maximum amount of annual gross income that a household may earn to qualify to live in a HOME-assisted unit is called the Income Limit. HUD establishes HOME Income Limits annually for different localities and adjusts them for household size, from one to eight persons. The limits are available at: <https://www.hudexchange.info/manage-a-program/home-income-limits/>.

It is important to note that HOME income limits are often published at different times than income limits for other programs, such as Tax Credits. Only the published HOME income limits may be used for HOME-assisted units, beginning the effective date as published on the web page.

For a homeowner to be eligible to receive HOME Rehabilitation Program funding, the current annual household income of the borrower(s) must be at or below 80% of area median income (AMI) adjusted for family size as determined by the HUD.

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 have elapsed since the initial determination.

2.3.1.1. Income Determination

To determine eligibility for HOME assistance, the HOME regulations require a household's annual income to be projected. While the HOME regulations at § 92.203 permit a PJ to use one of two definitions for annual income, Housing New Mexico has elected to use [24 CFR 5.609](#) definition (also commonly referred to as the Part 5 or Section 8 definition of income) for this Program.

Income Inclusions [24 CFR 5.609\(a\)](#)

Annual income includes, with respect to the family:

- ◆ All amounts, not specifically excluded in [24 CFR 5.609](#), received from all sources by each household member who is 18 years of age or older,
- ◆ Unearned income by or on behalf of each dependent who is under 18 years of age, and
- ◆ Imputed income must be calculated on net family assets exceeding \$50,000 (adjusted annually using the CPI-W) when the value of the actual returns from a given asset cannot be calculated. Imputed returns are based on the current passbook savings rate, as determined by HUD. (Note: if it is possible to calculate actual returns from an asset, the entity should use that amount as income).

Federally Mandated Income Exclusions [24 CFR 5.609\(b\)](#)

Amounts that HUD is required by federal statute to exclude as income for determining eligibility or benefits. HUD will publish an updated notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary.

Category	Exclusion	CFR	Income Exclusion Description
Other	Federally Mandated Income Exclusions	24 CFR 5.609(b)(22)	Amounts that must be excluded by federal statute. HUD will publish a Federal Register notice that includes the qualifying benefits that qualify as exclusions as necessary.
Assets	Imputed Income from Assets	24 CFR 5.609(b)(1)	Any imputed return on an asset when net family assets total \$50,000 (adjusted annually) or less and no actual income from the net family assets can be determined. *Note that: Actual returns from assets are included in income.
Non-recurring income	Non-recurring income	24 CFR 5.609(b)(24)	Income that will not be repeated in the coming year based on information provided by the family. * Note that: Income received as an independent contractor, day laborer, or seasonal worker is not excluded from income, even if the source, date, or amount of the income varies.
Self-employment	Gross Self-employment Income	24 CFR 5.609(b)(28)	Gross income received through self-employment or operation of a business. *Note: gross income is the total income that a business brings in and is not reflective of the costs of operating a business or of being self-employed

Dependents	Minors (children under the age of 18 years)	24 CFR 5.609(b)(3)	All earned income of all children under the age of 18, including foster children.
Dependents	Adoption assistance payments	24 CFR 5.609(b)(15)	Adoption assistance payments for a child in excess of the amount of the dependent deduction.
Students	Earned Income of Dependent Students	24 CFR 5.609(b)(14)	Earned income of dependent full-time students in excess of the amount of the dependent deduction.
Students	Title IV HEA Assistance	24 CFR 5.609(b)(9)(i)	Any assistance that Section 479B of the Higher Education Act (HEA) of 1965, as amended, requires to be excluded from a family's income.
Students	Other Student Financial Assistance	24 CFR 5.609(b)(9)(ii)	Student financial assistance, not excluded under the HEA, for actual covered costs of higher education.
Students	Educational Savings Account	24 CFR 5.609(b)(10)	Income and distributions from any Coverdell educational savings account or any qualified tuition program under IRS section 530 or any qualified tuition program under section 529.
Baby bonds	Baby bonds	24 CFR 5.609(b)(10)	Income earned by government contributions to, or distributions from, 'baby bond' accounts created, authorized or funded by federal, state or local government.
Foster children / adults	Payments for Foster Children / Adults	24 CFR 5.609(b)(4)	Payments received for the care of foster children or adults, including State kinship, guardianship care payments, or tribal kinship payments.
Foster children / adults	Income of foster children / adults	24 CFR 5.609(b)(8)	Income of a live-in aide, foster child, or foster adult as defined in 24 CFR 5.403 and 5.603.
Live-in Aide	Income of a Live-in Aide	24 CFR 5.609(b)(8)	Income of a live-in aide, foster child, or foster adult.
People with Disabilities	ABLE accounts	24 CFR 5.609(b)(22)	Will be included in federally mandated excluded amounts. Notice PIH 2019-09/H-2019-06 details when ABLE account income is excluded.
People with Disabilities	State Payments to Allow Individuals with Disabilities to Live at Home	24 CFR 5.609(b)(19)	Payment made by an authorized by a state Medicaid managed care system or other state agency to a family to enable a family member to live in the family's assisted unit.
People with Disabilities	Plan to Attain Self-Sufficiency (PASS)	24 CFR 5.609(b)(12)(i)	Amounts set aside for use under a Plan to Attain Self-Sufficiency (PASS).
People with Disabilities	Reimbursements for Health and Medical Care Expenses	24 CFR 5.609(b)(6)	Amounts for, or in reimbursement of, health and medical care expenses for any family member.
Trusts	Trust distributions	24 CFR 5.609(b)(2)	Any distributions of a trust's principal are excluded. Administrators must count any distribution of income from an irrevocable trust or a trust not under the control of the family (e.g., distributions of earned interest) as income to the family with the expectation of distributions used to pay the health and medical care expenses of a minor.
Insurance	Insurance payments & settlements for personal or property loss	24 CFR 5.609(b)(5)	Insurance payments and settlements for personal or property loss including, but not limited to: payments through health insurance, motor vehicle insurance, and workers' compensation.

Retirement	Retirement plan	24 CFR 5.609(b)(26)	Income received from any account under an IRS-recognized retirement plan. However, periodic payments are income at the time of receipt.
Military	Hostile fire special payment	24 CFR 5.609(b)(11)	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
Veterans	Veterans aid and attendance payments	24 CFR 5.609(b)(17)	Payments related to aid and attendance for veterans under 38 U.S.C. 1521.
Lawsuits	Lawsuit Settlements	24 CFR 5.609(b)(7)	Amounts recovered in a civil action or settlement based on malpractice, negligence and other breach of duty claim resulting in a family member becoming disabled.
Lawsuits	Reparations for Persecution	24 CFR 5.609(b)(13)	Reparation payments paid by a foreign government for claims by people persecuted during the Nazi era.
Lawsuits	Tribal Claims Payments	24 CFR 5.609(b)(21)	Payments received by tribal members from claims relating to the mismanagement of assets held in trust by the United States.
Lawsuits	Lawsuits related to civil rights	24 CFR 5.609(b)(25)	Civil rights settlements or judgments, including settlements or judgments for back pay.
Reimbursements	Reimbursements from publicly assisted programs	24 CFR 5.609(b)(12)(ii)	Amounts received by a participant in other publicly assisted programs for or in reimbursement of expenses to allow program participation (e.g., special equipment, clothing, transportation, child care, etc.).
Resident Services Stipend	Resident Services Stipend	24 CFR 5.609(b)(12)(iii)	Resident service stipends of \$200 or less per month for performing a part-time service for the PHA that enhances the quality of life in the development.
Employment training programs	Employment training programs	24 CFR 5.609(b)(12)(iv)	Incremental earnings and benefits from training programs HUD and qualifying employment training programs and training of a family member as resident management staff.
FSS	Family Self Sufficiency Account	24 CFR 5.609(b)(27)	Income earned on amounts placed in a family's FSS account.
Housing gap payments	Housing "gap" payments	24 CFR 5.609(b)(23)	Replacement housing "gap" payments to offset increased rent and utility costs to families displaced from one federally subsidized housing unit and another.
Benefits	Deferred Supplemental Security Income, SS income and benefits, or VA disability benefits	24 CFR 5.609(b)(16)	Deferred periodic amounts from: SSI, Supplemental Security Income and benefits or VA disability benefits that are received in a lump sum or prospective monthly amounts.
Property tax rebates	Property Tax Rebates	24 CFR 5.609(b)(18)	Refunds or rebates under state or local law for property taxes paid on the dwelling unit.
Loans	Loan Proceeds	24 CFR 5.609(b)(20)	The net amount disbursed by a lender to a borrower or a third party (e.g., educational institution or car dealership).

Assets [24 CFR 5.603\(b\) "Net Family Assets" Para. \(1\)](#)

Net Family Assets is the net cash value of all assets owned by the family, after deducting reasonable costs that would be incurred in disposing of real property, savings, stocks, bonds, and other forms of capital investment.

The HOTMA definition includes the cash value of all family assets with the exception of the expanded and enumerated exclusions.

Determining net family assets [24 CFR 5.603\(b\) "Net Family Assets" Para. \(2\)](#)

Subrecipients must include the value of any business or family assets disposed of by an applicant or tenant for less than fair market value (including a disposition in trust, but not in a foreclosure or bankruptcy sale) during the two years preceding the date of application or reexamination, in excess of the consideration received.

In the case of a disposition as part of a separation or divorce settlement, the disposition will not be considered to be for less than fair market value if the homeowner receives consideration not measurable in dollar terms.

Negative equity in real property or other investments does not prohibit the owner from selling the property or other investments, so negative equity alone would not justify an exclusion from family assets.

Income from Assets [24 CFR 5.609\(a\)](#)

In general, income from assets is considered income. If it is possible to calculate actual returns from an asset, the subrecipient should use that amount.

If it is not possible to calculate an actual return on an asset, and:

- ◆ The net family assets are \$50,000* or less, the imputed income from that asset is excluded
- ◆ The net family assets are over \$50,000,* the PHA must impute income for the asset based on the current passbook savings rate, as determined by HUD

Net Family Assets Scenario	Actual Income	Imputed Returns	Amount Included in Income
Assets of \$50,000 or less	Included	Not calculated	Actual income only
Exceeds \$50,000 and actual income can be computed for ALL assets	Included	Not calculated	Actual income only
Exceeds \$50,000 and NO actual income can be computed	N/A	Calculated using HUD passbook rate for all assets	Imputed returns for all assets
Exceeds \$50,000, but actual income can only be computed for some assets	Included for assets that can be computed	Calculated for any remaining assets where actual income cannot be computed	Actual income that can be computed AND imputed returns for all remaining assets that cannot be computed

Excluded assets [24 CFR 5.603\(b\)](#) “Net Family Assets” Para. (3) and (4)

The following assets are excluded under HOTMA. If the family owns an excluded asset, its value does not count toward the restriction due to net family assets. Most of these exclusions are new.

Category	Excluded Asset	Example(s)	Notes
Personal property	Necessary items of personal property	Medical devices, vehicle for commute	Determining what is a “necessary item” for personal property is a highly fact-specific determination. HUD Additional guidance is forthcoming.

Personal property	Non-necessary items of personal property if the combined total value does not exceed \$50,000*	Vintage baseball cards, recreational boat, coin collection, art so long as the <i>total</i> value is under the limit	This matches the value of assets that can be self-certified by the family.
Retirement account	Retirement account recognized by IRS	IRA, 401(k), 401(b) and retirement plans for self-employed individuals	
Real property	Per 24 CFR 92.203(e) Families using the certification process in § 5.618 that are homeowners applying for an owner-occupied rehabilitation project may also exclude the value of the homeowner's principal residence from the calculation of their Net Family Assets	Homeowner occupied rehabilitation funded by HOME	Such property does not count against the total asset amount to be considered in determining asset income
Settlements	Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member, for an incident resulting in a disability	A drunk driver injures a family member, who then has a disability. The family sues, and the driver's insurance pays the family.	
Savings account	The value of certain education or disability support savings accounts	Under Internal Revenue Code sections 529, 529A, 530, "baby bond" accounts	Coverdell accounts, tuition programs, any "baby bond" account created, authorized, or funded by Federal, state, or local government
Real property	Interest in Indian trust land	Family has interest in land held in trust by Bureau of Indian Affairs	Existing exclusion
Savings account	Family Self-Sufficiency (FSS) accounts		The family does not have access to FSS funds during their participation in the program. Also excluded from income.
Tax returns	Federal tax refunds or refundable tax credits for a period of 12 months after receipt by the family	Earned Income Tax Credits (EITC)	
Trust Funds	Trust that is not revocable by, or under the control of, any member of the family or household	Non-revocable trust fund; trust fund revocable once minor child reaches age 21	As long as a trust meets this definition, it is not an asset of the family

2.3.1.2. HOTMA Changes (now in effect for this program)

The Housing Opportunity Through Modernization Act of 2016 (HOTMA) required HUD to make changes to how it determines annual income as defined at § 5.609 (Part 5) across its

programs, including HOME. The impacts on HOME homeowner rehabilitation are limited, but include the following:

- ◆ Family Composition and Projecting Income. Annual income includes income from all persons living in the household except live-in aides, foster children, and foster adults. PJs must project annual income based on the requirements in § 92.203(e) regardless of which definition of annual income in § 92.203(c) the PJ applies to its HOME-funded programs.
- ◆ Net Family Assets. The Rule increases the requirement to calculate imputed income to assets over \$50,000. ***For HOME-assisted owner-occupied rehabilitation activities, the value of a homeowner's principal residence is excluded from the calculation of net family assets.***
- ◆ Passbook Rate: HUD publishes the inflation factor and recalculates the inflation-adjusted values around August each year. The revised figures are posted on the HUD User website and become effective on January 1 of the following year. The passbook rate is used to calculate imputed income from assets. The equation is only applied when the total cash value of all assets exceeds \$50,000.
- ◆ Documentation. HUD is not changing the requirements for what evidence a PJ must use for determining family eligibility: Examine at least 2 months of source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the family.

2.3.2. OWNERSHIP

Homes assisted under this program must be owned and occupied as the occupant's principal residence in one of the following forms of homeownership (92.2):

- ◆ Fee simple title in a 1- to 4-unit dwelling or in a condominium unit, or equivalent form of ownership approved by HUD; (will only rehabilitate current owner occupied dwelling in a multi dwelling circumstance)
- ◆ Subject to a 99-year ground lease;
- ◆ Subject to a 50-year or longer ground lease on Indian trust or restricted Indian Land;
- ◆ Subject to a 50-year or longer ground lease to an eligible Community Land Trust; or
- ◆ For a manufactured home, subject to a ground lease at least equal to the period of affordability.

Housing New Mexico may also approve the following as eligible subject to the requirements of 92.254(d):

- ◆ Inherited property with multiple owners;
- ◆ Life estate;
- ◆ Inter vivos trust (or living trust); and
- ◆ Beneficiary deed.

In these cases, the occupant is the household that must be Low Income and occupy the home as his/her principal residence. The income of non-occupying owners is not required for eligibility, but consent and certification from the other non-occupying owners is required.

Note: contracts for deed, installment contracts or land contracts to which deed is not given until the final payment are not eligible under HOME rules.

Ownership (or acceptable alternative) must be evidenced by a title search and a deed.

In addition, property taxes must be current for non-tribal land.

2.3.3. PRINCIPAL RESIDENCY

Homeowners that receive assistance must occupy the home as their principal residence and agree to maintain the home as their principal residence during the Restrictive Covenant period of up to 15 years established by Housing New Mexico. Homeowners will execute a Restrictive Covenant Agreement at the time of commitment, which will be recorded upon completion. See Section 3.6.4 in this Manual.

Repayment of some or all of the hard costs of rehabilitation will be due during the Restrictive Period if homeowners no longer occupy the home as their principal residence or sell the property.

2.4. PROPERTY ELIGIBILITY/INELIGIBILITY

In addition to the home being owned and occupied by the applicant as their primary residence, the property must:

- ◆ Meet the 92.2 definition of single-family housing;
- ◆ Pass Environmental Clearance
- ◆ Must have a post-rehabilitation value that is within program (statutory) limits.

Ineligible Properties:

- ◆ Properties with a Home Equity Line of Credit (HELOC)
- ◆ Home Equity Conversion Mortgages
- ◆ other reverse mortgages
- ◆ Properties under Real Estate Contract

2.4.1. PROPERTY TYPES

Property types that may be assisted under HOME regulations include:

- ◆ Traditional single-family housing that is owned fee simple;
- ◆ Condominium units;
- ◆ Cooperative housing units or units in a mutual housing project (if state law recognizes these as forms of homeownership); and
- ◆ Manufactured homes, including mobile homes.

2.4.2. PROPERTY VALUE

Section 215(b) of NAHA requires the after-rehabilitation value of homeownership units assisted with HOME funds to not exceed 95 percent of the area median purchase price for single family housing, as determined by HUD. HUD publishes the Existing Housing value limit each year. The current limits are available at: <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>.

To establish project eligibility, after-rehabilitation value must be established prior to any work being performed. Instructions on how to establish the after-rehabilitation value can be found in section 3.2.4.2. of this Program Manual

2.5. REHABILITATION STANDARDS

Whenever HOME funds are used for rehabilitation, the work must be performed according to the PJ's written rehabilitation standards and applicable state or local codes. 24 CFR 92.251(b) provides a written breakdown of what the HOME Rule requires for written standards as it relates to approved HOME activities within rehabilitation.

Housing New Mexico has adopted the following eight (8) Standards for Rehabilitation.:

1. Code Compliance Requirements
2. Health & Safety Issues/Requirements & Substandard Conditions
3. Structural Requirements
4. Space & Occupancy Requirements
5. Sanitation Requirements
6. Mechanical System(s) Requirements
7. Environmental Review Standards
8. Resource Efficiency and Healthy Homes Standards

The full Housing New Mexico Rehabilitation Property Standards are included in this manual as Exhibit A.

2.5.1. STATE CODES

HOME assisted homeowner rehabilitation projects, including manufactured housing, must meet all applicable state and local codes upon completion.

- ◆ 2021 New Mexico Existing Building Code: [14.7.7 NMAC](#)
- ◆ 2021 New Mexico Residential Building Code: [14.7.3 NMAC](#)
- ◆ 2021 New Mexico Plumbing Code: [14.8.2 NMAC](#)
- ◆ 2020 New Mexico Electrical Code: [14.10.4 NMAC](#)
- ◆ 2021 New Mexico Residential Energy Conservation Code 1 & 2: [14.7.6 NMAC](#) & [14.7.9 NMAC](#)
- ◆ 2021 New Mexico Fire Code: [10.25.5 NMAC](#)

If additional state or local codes are adopted, the requirements of those codes shall apply. The codes listed above serve as a quick reference for creating scopes of work; however, this list is not all-inclusive. **All applicable state and local codes must be followed for each project.**

2.5.1.1. Manufactured Housing

Construction of all manufactured housing including manufactured housing that replaces an existing substandard unit under the definition of “reconstruction” must meet the **Manufactured Home Construction and Safety Standards codified at 24 CFR part 3280**. These standards preempt State and local codes which are not identical to the federal standards for the new construction of manufactured housing.

Participating jurisdictions providing HOME funds to assist manufactured housing units must comply with applicable State and local laws or codes. In the absence of such laws or codes, the installation must comply with the manufacturer's written instructions for installation of manufactured housing units.

All new manufactured housing and all manufactured housing that replaces an existing substandard unit under the definition of “reconstruction” must be on a permanent foundation that meets the requirements for foundation systems as set forth in 24 CFR 203.43f(c)(i).

All new manufactured housing and all manufactured housing that replaces an existing substandard unit under the definition of “reconstruction” must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability.

In HOME-funded rehabilitation of existing manufactured housing the foundation and anchoring must meet all applicable State and local codes, ordinances, and requirements or in the absence of local or state codes, the Model Manufactured Home Installation Standards at 24 CFR part 3285.

2.5.2. HEALTH & SAFETY – LIFE THREATENING DEFICIENCIES

The following list of life-threatening deficiencies was developed from proposed NSPIRE life-threatening deficiencies, and must be identified during the inspection, incorporated into the scope of work, and addressed as soon as feasible.

UNIT/INSIDE

- ◆ Carbon Monoxide Alarm – missing, not installed in a proper location, obstructed or not producing audio or visual alarm when tested, not a hardwired device or 10-year non rechargeable, nonreplaceable battery device

- ◆ Chimney – visually accessible chimney flue or firebox connected to a fireplace or wood-burning appliance is incomplete or damaged such that it may not safely contain fire and convey smoke and combustion gases to the exterior
- ◆ Clothes Dryer Exhaust Ventilation – dryer transition duct is detached, constructed of unsuitable material, missing, or has restricted airflow
- ◆ Egress – obstructed egress
- ◆ Electrical – exposed electrical conductor, outlet or switch is damaged, or the overcurrent protection device in the service panel is damaged
- ◆ Flammable and Combustible Items – improperly stored flammable or combustible item on or near an ignition source
- ◆ Foundation – appears to be in imminent danger of collapse or failure
- ◆ Guardrail – guardrail is missing, not installed, or not functionally adequate
- ◆ Heating Ventilation and Air Conditioning (HVAC) – resident is unable to maintain a minimum temperature of 68 degrees Fahrenheit through a safe heating source, heating system or device fueled by combustion has a misaligned, disconnected, improperly connected, damaged, blocked or missing exhaust vent, combustion chamber cover or gas shutoff valve is missing from a combustion-fueled heating appliance, or natural gas, propane or oil leak
- ◆ Smoke Alarm – not installed where required or does not produce an audio or visual alarm
- ◆ Structural System – structural system exhibits signs of serious failure
- ◆ Toilet – only 1 toilet was installed and it is missing, damaged or inoperable
- ◆ Water Heater – chimney or flue piping is blocked, misaligned or missing, or gas shutoff valve is damaged or not installed

OUTSIDE

- ◆ Chimney – visually accessible chimney flue or firebox connected to a fireplace or wood-burning appliance is incomplete or damaged such that it may not safely contain fire and convey smoke and combustion gases to the exterior, or chimney exhibits signs of structural failure
- ◆ Clothes Dryer Exhaust Ventilation - dryer exhaust ventilation system has restricted airflow
- ◆ Electrical – exposed electrical conductor, outlet or switch is damaged, or the overcurrent protection device is damaged
- ◆ Flammable and Combustible Items – improperly stored flammable or combustible item on or near an ignition source
- ◆ Foundation - foundation appears to be in imminent danger of collapse or failure
- ◆ Guardrail - guardrail is missing, not installed or not functionally adequate
- ◆ Natural gas, propane or oil leak
- ◆ Structural System – structural system exhibits signs of serious failure

2.5.3. MAJOR SYSTEMS

The HOME Rule requires that the scope of rehabilitation must include the repair or replacement of major systems that are determined to have a useful life of less than 5 years. The purpose is

to ensure that homeowners will not be confronted by a major repair cost in the near-term following rehabilitation. Major systems are defined as:

- ◆ Structural support
- ◆ Roofing
- ◆ Cladding and weatherproofing (e.g., windows, doors, siding, gutters)
- ◆ Plumbing
- ◆ Electrical Systems
- ◆ Heating, Ventilation and Air Conditioning (HVAC)

2.5.4. LEAD-BASED PAINT

The Rehabilitation Property Standards of the HOME Rule requires housing to be rehabilitated to meet the lead-based paint (LBP) requirements at 24 CFR part 35 (92.251(b)(1)(iii).) It is the responsibility of the subrecipient to ensure that all federal lead-based paint requirements are met and to follow the steps regarding this Rule. Those steps include:

- ◆ Disclosures
- ◆ Risk assessment
- ◆ Lead hazard controls
- ◆ Clearance

Every HOME Rehabilitation-funded project must provide documentation showing the age of the home. This information may be accessed through formal public records, such as appraisals or tax assessment records. If the house was constructed prior to January 1, 1978, the LBP procedures in this section apply.

2.5.4.1. Lead-Based Paint Disclosure

Lead-based paint disclosure requirements apply to ALL HOME REHAB-funded projects, regardless of the year the home was built. It is a requirement that Subrecipients provide homeowners with:

- ◆ LEAD Pamphlet: Distribute the pamphlet “Protect Your Family from Lead in Your Home (<https://www.epa.gov/sites/default/files/2020-04/documents/lead-in-your-home-portrait-color-2020-508.pdf>) to every project regardless of age.
- ◆ The homeowner needs to sign a form acknowledging receipt of the pamphlet. Every file needs to contain a document signed by the client that clearly states the client was notified with the pamphlet.

If the home was built pre-1978, a risk assessment must be completed, and the results must be disclosed to the homeowner within 15 days of receiving the report. The Subrecipient must keep a copy of the risk assessment and the homeowner’s acknowledgment of receipt of the risk assessment.

2.5.4.2. Risk Assessment

Whole house risk assessments are required for a pre-1978 house receiving more than \$5,000 in federal rehabilitation assistance. Since it is presumed that all properties assisted under this Program will exceed this threshold, Subrecipients are required to hire qualified and certified Risk Assessment vendors for testing and abatement of lead-based paint for homes that were built in 1978 or prior, in accordance with 24 CFR 35.1230(b).

2.5.4.3. Lead-Based Paint Hazard Reduction

The final scope of work must reflect and address all hazards identified in the Risk Assessment, that will be disturbed during construction. Interior hazards must be treated by a licensed and certified abatement contractor using EPA-approved abatement methods. Exterior hazards can be treated by an EPA RRP renovator.

The scope of work must document the lead hazard controls and methods, and the Subrecipient must obtain documentation that qualified abatement contractors and Renovators were retained.

Project LBP “hazards” identified by the risk assessment are required to be abated. However, LBP that is intact and not deteriorating will not be identified as a “hazard” and therefore does not have to be abated, unless you are disturbing the LBP-intact surface as part of the rehabilitation scope.

Abatement of interior hazards is only triggered when the federal rehabilitation assistance amount exceeds \$25,000 (see 35.930(d)(3).) Below that, interim controls are permissible (35.930(c)(3)). Since it is presumed that all properties assisted under this Program will exceed this threshold, interim controls is only allowed for exterior hazards.

Interim Controls are a set of measures designed to reduce temporarily human exposure or likely exposure to lead-based paint hazards. Interim controls include, but are not limited to, repairs, painting, temporary containment, specialized cleaning, and clearance. NOTE: interim controls are acceptable on exterior surfaces not disturbed by the rehab and on paint-lead hazards that have an area smaller than the de minimis limits.

De minimis levels:

- ◆ 20 square feet (2 square meters) on exterior surfaces;
- ◆ 2 square feet (0.2 square meters) in any one interior room or space; or
- ◆ 10 percent of the total surface area on an interior or exterior type of component with a small surface area. Examples include window sills, baseboards, and trim.

2.5.4.4. Lead-Based Paint Clearance Disclosure

If LBP hazards are found and treated during the rehabilitation, the house must receive a clearance test upon completion of hazard controls and the clearances must be disclosed to the

homeowner within 15 days of receiving the report. Keep a copy of the clearance report and the homeowner's acknowledgment of receipt.

2.5.5. ASBESTOS

Asbestos is a naturally occurring mineral that was commonly used in building materials and products before the 1980s. Although the EPA banned most asbestos products in public areas in 1978, (ACMs) are still present in many buildings in the United States.

The EPA's Natural Emission Standards for Hazardous Air Pollutants (NESHAP) under the Clean Air Act requires an asbestos survey for any demolition or renovation building project, regardless of the building's age. Although NESHAP has exclusions for notification and reporting requirements for existing residential buildings with four or fewer dwelling units, OSHA regulations for safe work environments as well as Solid Waste and hauling/transporting requirements still apply. It is the responsibility of the Subrecipient to ensure that all federal OSHA requirements as well as state hauling and transportation requirements are met by procuring contractors trained and licensed to remove and handle asbestos-containing materials (ACMs). Contractors who remove or handle asbestos material are required to have current GB-98 and GS-29 licenses.

The New Mexico Solid Waste Bureau, (505) 827-0197, regulates transport and disposal of asbestos waste.

New Mexico OSHA, (505) 476-8700, regulates asbestos worker protection.

2.5.5.1. Asbestos Testing

Asbestos must be surveyed as part of the site contamination analysis for Categorically Excluded Subject to 58.5 ("CEST"). The Asbestos Hazard Emergency Response Act of 1986 requires the use of trained and accredited asbestos professionals when conducting asbestos inspections. Anyone who is a qualified sampler in another state or under the EPA AHERA program is qualified to sample for asbestos in New Mexico. The professional then must use a qualified laboratory to perform the asbestos analysis using methods described in 40 CFR part 763.

All materials that test positive as having 1% or higher of ACMs must be handled by a GS-29 licensed and certified contractor. Additionally, all materials that are found to contain less than 1% and not considered ACM are still subject to all OSHA requirements per 29 CFR 1910.1001.

The homeowner should be provided with a copy of the Asbestos testing report within 15 days of receipt.

2.5.5.2. Asbestos Control Method

Asbestos engineering controls are only necessary for areas that tested positive for ACM's that will be disturbed during construction. Asbestos that is in good condition and left undisturbed is

unlikely to present a health risk. The risks from Asbestos occur when it is damaged or disturbed where asbestos fibers become airborne and can be inhaled. Managing asbestos in place and maintaining it in good repair is often the best approach. Full remediation of ACM's is not required.

Worker exposure to Asbestos hazards are addressed in specific OSHA standards for the construction industry. These standards reduce the risk to workers by requiring employers to provide personal exposure monitoring to assess the risk and hazard awareness training for operations where there is any potential exposure to asbestos.

The certified GS-29 Contractor shall institute engineering controls and work practices to reduce and maintain employee exposure to or below the TWA and/or excursion limit prescribed in [29 CFR 1910.1001\(c\)](#), except to the extent that such controls are not feasible. Airborne levels of asbestos are never to exceed legal worker exposure limits. There is no "safe" level of asbestos exposure for any type of asbestos fiber. Where there is exposure, contractors are required to further protect workers by establishing regulated areas, controlling certain work practices, provide personal protective equipment and instituting engineering controls to reduce the airborne levels. Medical monitoring of workers is also required when legal limits and exposure times are exceeded.

A list of GS-29 Contractors can be requested by sending an email to NM Environment Department at Asbestos.aqb@env.nm.gov

2.5.5.3. Asbestos Waste Disposal and Transportation

The New Mexico Environment Department Air Quality Bureau, phone (505) 476-4300, regulates most aspects of asbestos remediation in New Mexico. [The Environment Department web site](#) has links to asbestos information.

Asbestos must only be transported by entities that have a Commercial Hauler registration which is provided by the Solid Waste Bureau. The list of current haulers can be found on the [New Mexico Environment Department website](#).

The New Mexico Solid Waste Bureau regulates transportation and disposal of asbestos waste in New Mexico. Call (505) 827-0197, or visit their [website](#) for the most current list of landfills approved to accept asbestos waste.

2.5.5.4. Exceptions to the Asbestos Removal Requirements

If the total amount of asbestos to be removed or disturbed is less than 260 linear feet, 160 square feet, or 35 cubic feet off of facility components (if the material could not be measured previously), then the Asbestos NESHAP does not require regulated asbestos-containing material to be removed before demolition or renovation activities occur.

2.5.6. RADON

Housing being rehabilitated with HOME funds must comply with HUD CPD-23-103 (Departmental Policy for Addressing Radon in the Environmental Review Process), effective April 10, 2024.

Radon is a naturally occurring colorless, odorless, and tasteless radioactive gas that comes from the natural radioactive decay of uranium that can be inhaled and cause damage to the lungs and stomach tissue which could cause cancer. Most radon-induced lung cancer results from long-term exposure to low or moderate radon levels in the home.

The Environmental Protection Agency recommends homes be fixed if the radon level is 4.0 picocuries per liter (pCi/L) or more. Because there is no known safe level of exposure to radon, EPA also recommends that Americans consider fixing their home for radon levels between 2 pCi/L and 4 pCi/L.

Radon exists in all New Mexico counties:

COUNTY	Zone
Bernalillo County	1
Catron County	2
Chaves County	2
Cibola County	2
Colfax County	1
Curry County	2
De Baca County	2
Dona Ana County	2
Eddy County	2
Grant County	2
Guadalupe County	2
Harding County	2
Hidalgo County	2

Lea County	2
Lincoln County	2
Los Alamos County	2
Luna County	2
McKinley County	2
Mora County	1
Otero County	2
Quay County	2
Rio Arriba County	1
Roosevelt County	2
Sandoval County	2
San Juan County	2
San Miguel County	1
Santa Fe County	1
Sierra County	2
Socorro County	2
Taos County	1
Torrance County	2
Union County	2
Valencia County	2

- ◆ **Zone 1:** Counties with predicted average indoor radon screening levels greater than 4 pCi/L
- ◆ **Zone 2:** Counties with predicted average indoor radon screening levels from 2 to 4 pCi/L
- ◆ **Zone 3:** Counties with predicted average indoor radon screening levels less than 2 pCi/L

HUD's environmental regulations at 24 CFR 58.5(i)(2)(i) and (ii)4 state that properties must be "free of hazardous materials, contamination, toxic chemicals and gases, and radioactive

substances. Radon is considered as part of site contamination analysis for Categorically Excluded Subject to 58.5 ("CEST").

For the Housing New Mexico HOME Rehabilitation Program, the following requirements apply:

- ◆ Radon must be examined as part of the site contamination analysis for Categorically Excluded Subject to 58.5 ("CEST"). Testing for Radon must be completed for all projects unless the property qualifies for exemption. Exemptions for Radon testing can be found in the CPD Notice 23-103. Exempt from radon testing are:
 - Buildings with no enclosed areas having ground contact, including buildings built on piers if there is open air between the lowest floor of the building and the ground, but buildings containing crawlspaces are not exempt.
- ◆ **Radon Measurement Method.** Units must be tested by a professional certified for American National Standards Institute/American Association of Radon Scientists and Technologists (ANSI/AARST) radon testing standards for single-family buildings. (To identify radon professionals certified for measurement by the National Radon Proficiency Program (NRPP), go to <https://nrpp.info/pro-search/>.)
- ◆ **Results.** Use the existing fields in the HEROS Contamination and Toxic Substances screen to document radon testing and compliance.
 - When radon testing determines indoor air radon levels are at or above 4.0 pCi/L, CPD-23-103 requires that the Environmental Review Record (ERR) include a mitigation plan. Mitigation measures must be installed by a professional certified for radon mitigation. The mitigation plan must identify the radon level, specify the radon reduction system that will be installed, establish an ongoing maintenance plan including post-installation testing.
 - If testing determines radon levels within the building below 4.0 pCi/L, mitigation is not required. (Environmental review preparers upload a PDF of the complete test results in the Environmental Review Record (ERR) and describe the testing methodology in the summary narrative.)

Nationwide data (for 2024) estimates an average of \$500-\$700 for professional testing, and \$150 for DIY kits/labs. These costs are eligible as HOME Project Soft Costs.

2.5.7. RESERVED FOR NSPIRE (EFFECTIVE 10/1/25)

2.6. ENVIRONMENTAL REVIEW

2.6.1. ENVIRONMENTAL REVIEW REQUIREMENTS (PART 58)

The requirements of 24 CFR Part 58 apply to the HOME Program. Single family homes to be rehabilitated will be subject to 58.35(a) – Categorically Excluded Subject To 58.5 (CEST).

All projects are subject to an environmental review and must receive appropriate clearance prior to any fund expenditure.

Housing New Mexico is the responsible entity (RE) for the Program. For individual projects:

- ◆ Housing New Mexico will serve as RE for projects being performed by non-profit organizations and tribal housing authorities.
- ◆ Local governments and tribal entities (not tribal housing authorities) are their own responsible entities (REs) and are required to perform their own environmental reviews. Local governments and tribal entities must submit their Request for Release of Funds to Housing New Mexico for approval (not to HUD).

Housing New Mexico will issue the Authority to Use Grant Funds. No funds will be committed until the environmental is cleared by Housing New Mexico.

Tiering is permitted by 58.15 as a way to make environmental review more efficient. With tiering, a program such as homeowner rehabilitation is reviewed in stages to eliminate repetitive discussions of the same issue for each subsequent project.

2.6.2. PROGRAM TIER I

Housing New Mexico conducts a Tier I review at the program level to identify and address common program issues.

The Tier I review by Housing New Mexico identifies and evaluates 58.5 and 58.6 compliance issues that are appropriate for program-wide determination or exclusion and establishes the standards or process to be followed in the site-specific reviews (Tier II).

2.6.3. PROJECT TIER 2

A Tier II site-specific analysis is done when the site has been identified and before HOME funds can be committed to the project. The site-specific review only must reference or summarize the issues addressed in the broader review at Tier I.

As noted above, local governments that are Subrecipients conduct the review as RE, and nonprofit and tribal authorities will submit the information to Housing New Mexico which serves as RE.

Housing New Mexico will issue the Authority to Use Grant Funds. Tier II site-specific reviews will not require notices or a Request for Release of Funds unless there are unanticipated impacts or impacts not adequately addressed in the Tier I review.

No HOME funds will be committed until environmental is cleared by Housing New Mexico.

2.6.3 FLOODPLAIN, FLOOD HAZARD AREAS AND FLOODWAYS

(Effective: October 15, 2024)

As of October 15, 2024, Housing NM prohibits substantial rehabilitation work in floodplains and flood hazard areas, following a unanimous decision by the Housing NM Policy Committee.

- ◆ A **floodplain** is a flat area of land adjacent to a river or stream that is prone to flooding.
- ◆ A **flood hazard area** (also known as a **Special Flood Hazard Area (SFHA)**) is a high-risk flood zone identified on Flood Insurance Rate Maps (FIRMs).
- ◆ A **floodway** is the portion of a floodplain that plays a critical role in carrying floodwaters. It typically experiences the greatest flood hazard, with the highest water depths and flow velocities.

Program Administrators are required to verify floodplain status and “substantial improvement” classification, as defined in **24 CFR 55.2(b)(12)**, before submitting the **Environmental Review Report**.

- ◆ If a project is located within a **floodplain** or **flood hazard area** and is classified as a “**substantial improvement**” under **24 CFR 55.2(b)(12)**, it is **not eligible for rehabilitation** funding or approval.
- ◆ Any **HUD-assisted project** located in a **floodway** is strictly prohibited and will **not be approved** for **HOME Rehabilitation** under any circumstances.

For further clarification on floodplain determinations and substantial improvement classification, please refer to **24 CFR 55** or contact Housing NM.

2.7. HOMEOWNER UNDERWRITING

The HOME Final Rule at 92.250(b) requires underwriting and subsidy layering of all HOME assisted projects. The underwriting and subsidy layering regulatory requirements for homeowner rehabilitation projects are:

- Review the Sources and Uses to determine that:
 - All costs are reasonable; and
 - The total sources of funds are adequate to complete the project but not excessive.
- If the HOME loan to the homeowner is amortizing, the homeowner's ability to pay the loan must be underwritten. (Note: This is not applicable to the current program as loan amortization is not required.)
- The provision of the HOME assistance, alone or in combination with other governmental assistance, is no more than is necessary to provide quality affordable housing that is financially viable for a reasonable period -- in this case, the Restrictive Period.

2.8. PROCUREMENT

Federal procurement rules apply to any procurements by the Subrecipient with federal funds. In the selection of any contractor to provide services to the program – e.g., LBP risk assessors, radon inspectors, legal, accounting – the procurement rules apply. Selection of rehabilitation contractors may be conducted under one of two methods as outlined below.

2.8.1. REHABILITATION CONTRACTOR PROCUREMENT METHOD

The process for rehabilitation contractor solicitation and selection depends upon whether or not the procurement rules apply to the contractor selection process. The requirements are determined by who is selecting the contractor, i.e., the “procurer”:

Subrecipients must adopt one of the two procurement policies listed below and all applicable requirements following the selection. Adopted policy along with related requirements must be listed in the agency’s rehab manual.

Regardless of the policy adopted, all projects are required to utilize the homeowners rehabilitation agreement also referred to as the three-party contract, which requires homeowner, program administrator, and contractor signatures. This document ensures consistency across the program in compliance with HOME regulations. Additionally, the execution date of this contract will be the date utilized for IDIS project set up.

1. Homeowner – if the homeowner effectively makes the decision of who gets the contract, federal procurement rules do not apply, but the Subrecipient must ensure that the purchase is cost effective and reasonable; or
2. Subrecipient – if the subrecipient effectively controls the decision of who gets the contract, then federal procurement requirements (2 CFR Part 200.318 - .326) apply.

The choice is not simply to achieve flexibility in procurement method. Just as important is the involvement of the homeowner so that they take ownership of the contractor selection.

With either method, the Subrecipient remains responsible for ensuring cost reasonableness and cost-effective purchase. The Subrecipient is also responsible for documenting the solicitation process and selection, and for incorporating all program requirements in the contract.

Conflict of Interest & Procurement Integrity Policy

When the homeowner serves as the procurer, the conflict of interest provisions outlined in **2 CFR Part 200** and **24 CFR Part 92** do not apply. However, to uphold the integrity of the program and prevent any appearance of conflict or unreasonable costs, the following policy applies:

1. **Disclosure Requirement:** Any personal or financial relationships between the homeowner and the selected contractor must be fully disclosed to the Subrecipient.
2. **Contractor Qualification & Cost Reasonableness:** The Subrecipient must review and determine that:
 - The selected contractor meets program qualification requirements.
 - The proposed costs are reasonable and align with market rates.

3. **Competitive Bidding:** In the event that only a single bid comes from procurement. Subrecipients are strongly encouraged to obtain multiple bids to support cost reasonableness and maintain transparency. In the event of a single bid, that appears to be unreasonable. Housing New Mexico may reject the project as is, which will result in the Subrecipient/Program Administrator having to re-procure in order to obtain additional bids in order to determine cost reasonableness.
4. **Inspection & Oversight:** The Subrecipient must ensure **adequate inspections** are conducted throughout the project to verify compliance with program standards.
5. **Documentation & Accountability:** All disclosures, bid comparisons (if applicable), contractor qualifications, and inspection reports must be documented. If questioned, the Subrecipient must be able to provide immediate justification for the selection and cost reasonableness determination.

2.8.2. FORCE ACCOUNT LABOR

Some tribal and housing authorities have work crews on staff and have utilized the staff for repair and rehabilitation activities on housing owned by the authorities. Public housing permit work force labor, and ICDBG has flexibility under 24 CFR 1003.509 to use force account labor.

There is no force account provision in HOME regulation. Therefore, if a Subrecipient wishes to utilize force account labor on HOME rehabilitation projects, HUD will have to be requested to allow a similar exception to standard procurement procedures. The exception would have to be justified based on cost effectiveness (i.e., the documented ability to do the work for less than competitive bid pricing) and/or the lack of adequate competition or response in the local market (e.g., no bids received.) The Subrecipient will prepare the request to HUD following the documentation requirements of 1003.509(a) and Housing New Mexico will forward the request to HUD.

Even if such an exception is granted for general labor, obtaining skilled trades, materials or other contracting beyond the force account labor must still follow procurement rules, as is required by 1003.509(e).

2.9. PROJECT TERMINATION

Under 92.205(e), a HOME assisted project that is terminated before completion, either voluntarily or involuntarily, or is not completed within program deadlines constitutes an ineligible activity.

HOME project funds expended on terminated projects must be repaid in accordance with § 92.503(b).

2.10. OTHER FEDERAL REQUIREMENTS

2.10.1. FAIR HOUSING

HOME funds must be made available without discrimination based on race, color, national origin, age, sex, religion, familial status, gender identity or disability in accordance with fair housing laws. The following fair housing and nondiscrimination laws apply to the Program:

- ◆ Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended and implementing regulations at 24 CFR Part 100;
- ◆ Title VI of the Civil Rights Act of 1964;
- ◆ The Age Discrimination Act of 1975, as amended and implementing regulations at 24 CFR Part 146;
- ◆ Executive Orders 11063 and 12259 - Equal Opportunity in Housing, and implementing regulations at 24 CFR Part 107;
- ◆ Section 504 of the Rehabilitation Act of 1973 (Section 504) and implementing regulations at 24 CFR Part 8; and
- ◆ Title II of the Americans with Disabilities Act (ADA).

2.10.1 EMPLOYMENT AND CONTRACTING

The following apply to employment and contracting:

- ◆ Minority and Women Outreach – 92.350(b) & Executive Orders 11625, 12432, and 12138
- ◆ Debarred contractors – 92.350(a), 24 CFR 5.105(c)

2.10.2. BUILD AMERICA BUY AMERICA

The Build America, Buy America Act (BABA) is part of the Infrastructure Investment and Jobs Act (IIJA) as Sections 70901-52 of Pub. L. No. 117-58. The Act included a “Buy America Preference” (BAP) in Section 70914 which requires that all iron, steel, manufactured products, and construction materials used in infrastructure projects, including housing, funded with Federal Financial Assistance (FFA) must be produced in the United States. The Buy America preference applies to all spending on infrastructure projects, including housing, by all Federal agencies, including HUD.

BABA applies to HOME when funds are used for the construction, alteration, maintenance, or repair of housing with the following exceptions:

- ◆ BABA does not apply to HOME grants that were obligated by HUD (i.e., grant agreement signed by HUD) before August 23, 2024, which means that it does not apply to Housing New Mexico HOME funds for Federal Fiscal Year 2024 or earlier.
- ◆ HUD has issued a “Small Grants” waiver of the BAP for all infrastructure projects whose total cost (from all funding sources) is equal to or less than the simplified acquisition threshold at 2 CFR 200.1 which is currently \$250,000, for five years until November 23, 2027.

Accordingly, the Buy American Preference does not apply to the homeowner rehab program if either (1) the project funding is from FFY2024 or earlier and/or (2) the individual project is committed

prior to November 23, 2024 and has no more than \$250,000 in Federal Financial Assistance (i.e., all Federal funds, not just HOME).

After that date, pending further modifications by HUD, the BAP will apply to HOME homeowner rehabilitation. (HUD may also issue “project-specific” BAP waivers case-by-case based on “public interest”, nonavailability or cost impact of the overall project by more than 25 percent.)

3. PROJECT PROCESSING PROCEDURES

This Chapter outlines the processing steps that each rehabilitation project will follow, including the actions by both Subrecipients and Housing New Mexico. The process is outlined as six steps (depicted below):

1. Intake
2. Eligibility determination
3. Feasibility determination
4. Project approval
5. Construction management
6. Project completion

All steps are administered by the subrecipient contracted with Housing New Mexico as the Program Administrator (PA) and all steps reviewed and approved by Housing New Mexico staff in accordance with the homeowners rehabilitation checklist. Each section will be uploaded for Housing New Mexico review through the secured file transfer portal and requires two levels of Quality Control review prior to project approval.

3.1. STEP 1. APPLICATION INTAKE & WAITLIST

3.1.1. AFFIRMATIVE MARKETING

The intake of applications should occur only after the Subrecipient has undertaken affirmative marketing as required in Section 4.6.1. Subrecipients should advertise and open up applications to the program at least annually, unless Housing New Mexico grants an exception in writing based on the length of the current waiting list and sufficient previous affirmative marketing.

3.1.2. APPLICATION

The application is supplied by Housing New Mexico and is required to be used or mirrored by subrecipients to cover all necessary questions, disclosures and intake requirements. Please refer to Section 1 of the Homeowner rehab Project Checklist for a complete list of required documentation.

In an effort to pre-determine whether a project is feasible, its encouraged that the program administrator refer to the county assessor's property value soon after receiving the application. In some cases (e.g. historical neighborhoods) the value of the home will be above the annual HOME & HTF limits and this would be an immediate denial due to project infeasibility.

In compliance with fair housing, Subrecipients should aid applicants who request assistance.

Program Administrator must have a communication log within their file with each applicant to document date application was received and all correspondence after. Keep in mind that any grievance may require a review of this log.

3.1.3. WAITLIST & PRIORITIES

Applications should be received and placed on a waitlist for processing in chronological order, except to the extent the Subrecipient has requested and received Housing New Mexico approval in writing for priorities or preferences.

Housing New Mexico will consider preferences for households that have disproportionate needs or have life-threatening housing conditions.

The Subrecipient can pre-screen applications to identify and remove applications from the waitlist that are:

- ◆ Incomplete and need to be returned to the applicant for completion; or
- ◆ Clearly ineligible applications based on household or property ineligibility.

3.2. STEP 2. PROJECT ELIGIBILITY

Before the Subrecipient invests time and resources into developing scopes of work and procuring contractors, it is prudent to do a preliminary determination of eligibility, and to confirm project eligibility with Housing New Mexico.

For Step 2, Subrecipients should conduct a review of project eligibility based on:

- ◆ Homeowner income eligibility
- ◆ Evidence of homeownership & principal residence
- ◆ Eligible property type
- ◆ Estimated after-rehab value
- ◆ Environmental review

Upon initial determination of eligibility, the Program Administrator should submit Section 2 of the checklist for review to Housing New Mexico. Upon Housing New Mexico review, if

approved, a Project Eligibility Approval Letter will be provided, granting permission to proceed with detailed rehabilitation planning and procurement.

3.2.1. INCOME ELIGIBILITY

For a homeowner to be eligible to receive HOME Rehabilitation Program funding, the current annual household income of the household member(s) must be at or below 80% of area median income (AMI) adjusted for family size as determined by the HUD. For this Program, income must be calculated pursuant to the HUD Part 5 (Section 8) guidelines.

Note that all household income must be calculated.

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 to the following HUD website: <https://www.hudexchange.info/programs/home/home-income-limits/>.

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 have elapsed since the initial determination.

3.2.1.1. Income Determination

To determine eligibility for HOME assistance, the HOME regulations require a household's annual income to be projected. Subrecipients must use the standard for calculating income under 24 CFR 5.609, as summarized in Section 2.3.1 of this Manual and the HUD Exchange at: <https://www.hudexchange.info/resource/5180/part-5-section-8-income-inclusions-and-exclusions/>.

Subrecipients are encouraged to use the HUD Exchange CPD Income Calculator for calculating income, unless the Subrecipient has a comparable methodology for calculating Part 5 annual income. The CPD Income Calculator can be found at: <https://www.hudexchange.info/incomecalculator/>.

Income is defined as money that is paid to, or on behalf of, the head of household or spouse (even if temporarily absent) or to any other household member 18 years or older.

- ◆ Annual income is the gross (exception for self-employment. In the case of self-employment, net income is used) amount of income of all adult household members anticipated to be received during the coming 12-month period.
- ◆ Current income is used to project future income with the assumption that a household's current circumstance will continue for the next 12 months even when it is not clear that the type of income currently received will continue in the coming year, unless there is verifiable evidence to the contrary. When documentation is available or provided that shows current circumstances are about to change, such as notification of raise in pay or

cost of living increase for social security recipients, the change should be incorporated into the projection.

Under Part 5, the income anticipated to be earned from the asset during the coming 12 months – not the value of the asset – is counted. Assets are defined as cash, or non-cash items that can be converted to cash.

If value of all assets is \$50,000 or more (which will be updated annually by HUD based on CPI), Part 5 requires an “imputed” calculation based on Passbook Rate for any assets for which an annual income cannot be computed.

Any person(s) whose name(s) appears on the title to the property, as well as all members of the household over the age of 18, must be included for income determination purposes, unless reasonable proof can be provided that one or more of the homeowners are no longer residing in the home. For example, heir properties often include siblings who live in separate states, and divorce documentation may establish that one owner resides in the home. The source documents must be verifiable, and all homeowners must sign the Restrictive Covenant at the time of completion.

All information collected on the client application will be used to determine whether the homeowner qualifies for this program. It will not be disclosed (except to Housing New Mexico and HUD as required for monitoring purposes) without the consent of the homeowner except to their employer(s) for verification of income and employment information to financial institutions for verification of assets, and as required and permitted by law.

Failure of an applicant to provide the information should result in the application being delayed or rejected.

3.2.1.2. Verification & Documentation of Income

Under HOME Rules at 24 CFR 92.203, income must be verified, and at least 2 months of income source documentation must be obtained. The methods for verifying income and assets are:

- ◆ Third-party written verifications are preferred. Correspondence should take place between the third party and the owner -- the homeowner should not provide any documentation. It is acceptable for third parties to fax verifications to subrecipients.
- ◆ 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 childcare payments, etc.)

Documentation used to verify income should be current and consecutive. Documents must be dated within 120 days of receipt, except that public benefits statements should be within the last 12 months of receiving the documentation.

Under HOTMA changes, if net family assets are under \$50,000, the administrator may accept self-certification from the family that the assets are under that amount.

Income Certification Form must be completed by program administrator upon income and asset verification and executed by all adult household members along with program administrator certifying that all information listed is true and accurate.

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3.2.2. OWNERSHIP & OCCUPANCY

Homeowners must provide:

- ◆ Evidence of ownership of the property in fee simple, or under a 99-year ground lease, or a ground lease of 50 years or more for housing located on Indian trust or restricted Indian lands or a Community Land Trust; and
- ◆ Certification that they occupy the home as their principal residence. (current utility bill)

3.2.3 CITIZENS AND QUALIFIED RESIDENT ALIENS

Certain federal benefits may only be provided to the United States and also to those with qualified resident alien status.

Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) prohibits provision of non-exempted “federal public benefit” to an alien, who is not a “qualified alien” as defined in section 431. Section 401(c) of the Act defines “federal public benefit” as (1) any grant, contract, loan, professional license, or commercial license provided by an agency of the United States or by appropriated funds of the United States; and (2) any retirement, welfare, health, disability, public or assisted housing, post-secondary education, food assistance, unemployment benefit or any other similar benefit for which payments or assistance are provided to an individual, household, or family eligibility unit by an agency of the United States or by appropriated funds of the United States.

Providing HOME to a low-income homeowner qualifies as a “federal public benefit” therefore limited to citizen and qualified resident aliens.

A challenge with PRWORA is identifying specific which immigration statuses are a “qualified resident aliens” and which aren’t. That’s where a report from the Congressional Research Service which is linked below provides some help in making sense of things. <https://crsreports.congress.gov/product/details?prodcode=R46462>

3.2.4 PROPERTY ELIGIBILITY

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

- ◆ Be an eligible property type;
- ◆ Occupied by an income eligible homeowner as the owner’s principal residence;
- ◆ Owned via an eligible form of ownership (fee simple or acceptable ground lease term); and

- ◆ Have an after-rehab value within Program property value limits.

3.2.4.1. Eligible Properties & Forms of Ownership

Eligible properties must meet the definition of homeownership under the HOME Rule (92.2), which means a 1- to 4-unit dwelling or in a condominium unit, or equivalent form of ownership approved by HUD.

Ownership must be in fee simple, or under a 99-year ground lease, or a ground lease of 50 years or more for housing located on Indian trust or restricted Indian lands or a Community Land Trust.

Title search or title documents evidencing the property type and form of ownership must be collected and in the file.

3.2.4.2. After-Rehab Value

The after-rehabilitation value must meet the statutory and regulatory “Homeownership Value Limit” as published annually by HUD. The most current limits are published (by County) at: <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>. This determination must be made in advance of commitment and expenditure of funds on rehabilitation.

To establish project eligibility, after-rehabilitation value must be established prior to any work being performed. To establish the after-rehabilitation value, the program administrator must follow the Housing New Mexico “after rehab value methodology” listed below:

1. Print out documentation from the County Assessors Office for the Property Assessed Value
2. Determine the hard cost associated with the project based on the scope of work.
3. Combine the Property Assessed Value with 60% of the hard cost of this project, and this is the after-rehabilitation value that will be reported and compared to the HUD HOME & HTF limits linked above.
4. If the after-rehabilitation value is within 20% of the HOME & HTF limits linked above, than a full after-rehabilitation value Appraisal, Comparative Market Analysis (CMA) or Brokers Price Opinion (BPO) must be completed and provided as backup documentation to ensure that we are not exceeding the HUD limits provided.

The Subrecipient must document this method in the file and sign and date the 95% After Rehab Value Certification form. This must be submitted as part of the Project Eligibility Approval Request.

3.2.5 INITIAL PROPERTY ASSESSMENT & SCOPE

If the homeowner and property appear eligible, the Subrecipient should conduct an initial inspection using program checklists to identify deficiencies and the general scope of rehabilitation needed. If it appears that the project can be done within program limits, then the Subrecipient should proceed to authorize the LBP, asbestos and radon assessments, if required.

92.251(b) (2) requires Subrecipient's to develop a scope of work and cost estimate in sufficient detail to be the basis for inspection to determine compliance with rehabilitation and property standards. The Subrecipient must prepare a written cost estimate for rehabilitation, after determining that costs are reasonable.

In order to control costs and meet the intent and regulatory requirements of the HOME program, rehabilitation should be limited to correct substandard conditions. Subrecipients should develop the scope of work based on the following order of priority:

1. Health and safety issues
2. Mitigation measures for environmental hazards (LBP, radon, asbestos)
3. State and/or local code violations
4. Repair/replacement of major systems (including structural support, roofing, cladding and weatherproofing (e.g., windows, doors, siding, gutters), plumbing, electrical and HVAC with a useful life of less than 5 years
5. Accessibility modifications if needed by the homeowner

Priorities 1 through 5 are required for a project to be eligible. To extent funding remains available, additional improvements can address:

6. Weatherization and energy efficiency
7. Non-luxury amenities or cosmetic improvements that are part of a substandard condition to be addressed

If a project requires greater funding to address the required items, consult with Housing New Mexico on alternatives for financing. If the budget is limited, consider repairs as an alternative to replacement.

Amenities and cosmetic improvements should not be funded by HOME unless those items are part of a deficiency that needs to be addressed. Luxury improvements are ineligible.

The scope of work must reflect addressing all hazards identified in the LBP Risk Assessment and any radon mitigation measures required. Interior hazards must be treated by an abatement contractor using EPA-approved abatement methods; exterior hazards can be treated by an EPA RRP Renovator.

Housing New Mexico will perform Quality Control at random throughout the state and accompany Subrecipient/Program Administrator during inspections to ensure that policies are

being followed for consistency and to ensure that funding is only being utilized as needed and consistent with Exhibit A.

3.2.5.1. Lead Based Paint

If the house was constructed prior to January 1, 1978, the LBP procedures in this section apply. Subrecipients must ensure that their projects meet the requirements according to 24 CFR Part 35. Those requirements include:

- ◆ Disclosures;
- ◆ Risk assessment;
- ◆ Lead hazard controls; and
- ◆ Clearance.

Every HOME Rehabilitation-funded project must provide documentation showing the age of the home. This information may be accessed through formal public records, such as appraisals or tax assessment records.

Lead-based paint disclosure requirements apply to ALL HOME REHAB-funded projects, regardless of the year the home was built. It is a requirement that Subrecipients provide homeowners with:

- ◆ LEAD Pamphlet: Distribute the pamphlet “Protect Your Family from Lead in Your Home (<https://www.epa.gov/sites/default/files/2020-04/documents/lead-in-your-home-portrait-color-2020-508.pdf>) to every project regardless of age.
- ◆ The client needs to sign a form acknowledging receipt of the pamphlet. Every file needs to contain a document signed by the client that clearly states the client was notified with the pamphlet.

Whole house risk assessments are required for a pre-1978 house receiving more than \$5,000 in federal rehabilitation assistance. Since it is presumed that all properties assisted under this Program will exceed this threshold, Subrecipients are required to hire qualified and certified Risk Assessor.

The final scope of work must reflect addressing all hazards identified in the Risk Assessment. Interior hazards must be treated by an abatement contractor using EPA-approved abatement methods. Exterior hazards can be treated by an EPA RRP renovator.

The scope of work must document the lead hazard controls and methods, and the Subrecipient must obtain documentation that qualified abatement contractors and Renovators were retained.

3.2.5.2. Radon Assessment

All units must be tested by a professional certified for American National Standards Institute/ American Association of Radon Scientists and Technologists (ANSI/AARST) radon testing

standards for single-family buildings. To identify radon professionals certified for measurement by the National Radon Proficiency Program (NRPP), go to <https://nrpp.info/pro-search/>.

The scope of work must document the radon mitigation methods and the results should be documented in the HEROS Contamination and Toxic Substances screen to document radon testing and mitigation, if needed.

3.2.5.3. Preliminary Estimate

Based on the initial inspection checklist and the LBP and radon assessments, the Subrecipient should estimate the likely range of hard costs to assess whether the property can be rehabilitated within Program cost limits.

3.2.6. PROJECT ENVIRONMENTAL REVIEW

All projects are subject to an environmental review and must receive appropriate clearance prior to any expenditure of funds other than exempt planning activities.

- ◆ Housing New Mexico is the responsible entity for all projects being performed by non-profit organizations and tribal housing authorities.
- ◆ Local governments and tribal entities (not tribal housing authorities) are their own responsible entity and are required to perform their own environmental reviews which must be included in all reservation requests. Local governments and tribal entities must submit their Request for Release of Funds to Housing New Mexico for approval (not to HUD).

No HOME funds will be committed until the environmental review is approved by Housing New Mexico, except for administrative costs.

Subrecipients must complete and submit the following as part of the Project Eligibility Approval Request:

- ◆ Part 58 Project Abstract
- ◆ Tier II Site-Specific Checklist – HOME Rehab (template)
- ◆ Field Contamination Checklist
- ◆ Lead Screening Worksheet & Risk Assessment report/results (if applicable)
- ◆ Radon assessment report/results
- ◆ Asbestos Inspection report/results

3.2.7. PROJECT ELIGIBILITY APPROVAL REQUEST

The Subrecipient will prepare all documentation required in Step 2 of the Homeowner Rehab Project Checklist for Project Eligibility Approval that consists of the following:

- ◆ Homeowner Rehab Project Checklist

- ◆ Executed Homeowner Application with supporting eligibility documents
- ◆ Income Certification Form
- ◆ Proof of Ownership
- ◆ Proof of Principal Place of Residence
- ◆ After-Rehab Value Form with supporting
- ◆ Environmental Review – Tier II Form and supporting maps and documentation
- ◆ Environmental Review – Project Abstract Form
- ◆ Environmental Review – Field Contamination Checklist Form
- ◆ Scope of work and Cost Estimate

The Housing New Mexico Program Manager will review the Project Eligibility Request for:

- ◆ Homeowner income eligibility
- ◆ Ownership and occupancy
- ◆ After-rehab value
- ◆ Environmental clearance

Upon approval, the Housing New Mexico Program Manager will issue a Project Eligibility Approval Letter authorizing the Subrecipient to proceed with procurement.

3.3. STEP 3. PROCUREMENT & CONTRACTING

Upon receipt of the Project Eligibility Approval Letter, the Subrecipient may proceed with scope of work and cost estimation to determine project feasibility, and to proceed with contractor selection if the scope and cost meet program requirements.

3.3.1. UPDATED SCOPE OF WORK -IF APPLICABLE

If changes were made to the Project Scope of Work after Project Eligibility Approval letter has been issued, update the scope of work prior to submitting for Project Acceptance approval.

3.3.1.1. Accessibility Modifications

Subrecipients must work with any household with accessibility needs to address those needs as part of the scope of work for housing rehabilitation and must be in compliance with the Fair Housing Act, Section 504, as applicable. Accommodations and modifications to address accessibility needs can and should be paid with HOME funds. Exceptions to per-unit assistance limits due to such modifications will be considered.

3.3.2. COST ESTIMATE

The Subrecipient should prepare an Agency Estimate of the cost of the scope.

- ◆ If the Agency Estimate is within program limits, the Subrecipient can request the homeowner to approve the scope and proceed to solicitation.

- ◆ If the Agency Estimate exceeds program limits, the Subrecipient should determine if scope can be reduced and still meet program property standards, or if other funds can be identified.

3.3.3. CONTRACTOR SOLICITATION

The process for contractor solicitation and selection depends upon whether or not the procurement rules apply to the contractor selection process. This is determined by who is selecting the contractor, i.e., the “procurer.”

Subrecipients must adopt one of the two procurement policies listed below and all applicable requirements following the selection. Adopted policy along with related requirements must be listed in the agency rehab manual.

1. Homeowner – if the homeowner effectively makes the decision of who gets the contract, federal procurement rules do not apply, but the Subrecipient must ensure that the purchase is cost effective and reasonable; or
2. Subrecipient – if the subrecipient effectively controls the decision of who gets the contract, then federal procurement requirements (2 CFR Part 200.318 - .326) apply.

The choice is not simply to achieve flexibility in procurement method. Just as important is the involvement of the homeowner so that they take ownership of the contractor selection.

With either method, the Subrecipient remains responsible for ensuring cost reasonableness and cost-effective purchase. The Subrecipient is also responsible for documenting the solicitation process and selection, and for incorporating all program requirements in the contract.

All projects regardless of procurement are required to utilize the homeowner’s rehabilitation agreement, also referred to as the Three-Party Agreement. This document requires signatures from homeowner(s), Program Administrator, and Contractor. Use of this contract ensures consistency across the program in compliance with HOME regulations. Additionally, the execution date of this contract will be the date utilized for IDIS project set up.

3.3.3.1. Homeowner as Procurer

For the homeowner to be considered the procurer, the homeowner should be involved in the process, and above all the ability to choose the contractor from among the acceptable bids. Homeowner participation should include:

- ◆ Consent to the scope of work
- ◆ Identification of the bidders to be solicited
- ◆ Selection of the contractor
- ◆ Execution of the rehabilitation contract
- ◆ Acceptance of work and approval of payment

The homeowner should execute a form acknowledging their role.

The Subrecipient should still play a substantial technical role, including:

- ◆ Preparing the scope of work
- ◆ Assembling and distributing the bid package
- ◆ Collecting and reviewing bids to identify eligible and responsive bids
- ◆ Determining the amount of funds available and the competitive range
- ◆ Being a third party to the contract between the homeowner and contractor, with review and enforcement rights.

Notwithstanding this technical role, as long as the homeowner ultimately is allowed to make the decision regarding who can bid and who is selected, the homeowner is still considered the procurer.

If the homeowner is to be the procurer, then the following minimum standards are required:

- ◆ The Subrecipient will identify multiple bidders (at least three) to be solicited for each contract and prepare the RFP. The homeowner should have a choice in who can bid, but bidders must meet the Subrecipient's requirements and standards for bidding on a project.
- ◆ The Subrecipient will review the bids for compliance with the RFP and conduct a cost analysis on behalf of the homeowner.
- ◆ The Subrecipient will identify the responsible bids and identify the maximum amount the program is willing to pay, but choice of contractor(s) should be left to the homeowner.

Even if federal procurement requirements do not apply, the Subrecipient is responsible to ensure an adequate level of competition in bidding to establish cost reasonableness.

3.3.3.2. Subrecipient as Procurer

If the Subrecipient is the procurer, it must adhere to the 2 CFR Part 200 requirements pertaining to procurement. Given the small size of the contracts, the Subrecipient will have flexibility under small purchase procedures, which states that "price or rate quotations must be obtained from an adequate number of qualified sources." The sealed bid method is permitted but not required by regulation for projects under \$250,000.

The following procedures are required:

- ◆ Subrecipients should conduct sufficient outreach (including MWBE outreach) to produce competitive bidding, with the goal of 3 or more bids.
- ◆ The Subrecipient will review the bids for compliance with the RFP and conduct a cost analysis for cost reasonableness, including comparing a cost estimate to the bid(s) received.
- ◆ The Subrecipient should select the lowest, responsible bid or document the bases for selecting another bid.

Note that the Section 3 threshold for projects is now \$200,000, so it will not apply to HOME REHAB projects.

3.3.3.3 Contractor Outreach & Pre-Qualified Bidders List

Subrecipients are required to conduct outreach to identify eligible contractors, including MWBE entities, and may create a pre-qualification process and pre-qualified bidders list.

Contractor standards should include:

- ◆ Current NM Contractors License
- ◆ Insurance Bonds - general liability, workers compensation and vehicle insurance
- ◆ Capital or access to a line of credit for the upfront costs associated with initial project costs
- ◆ References - Minimum of three (3) professional references
- ◆ Signed Conflict of Interest and Third-Party Code of Conduct Statements

If the Subrecipient maintains a pre-qualified bidders list, the list should remain open for additional contractors to apply or be added by homeowners. All contractors should be subject to the same pre-qualification standards.

If the Subrecipient expects to replace existing Manufactured Homes with new Manufactured Homes, it should identify Manufactured Home Companies and assemble specifications and pricing for applicable models.

3.3.3.4. Bid Package & Call for Bids

An RFP or Procurement for vendors/sub-contractors must be done for each specific rehab project, or it may be done for each trade that is needed (Plumber, Electrician, etc.) to complete several projects.

The Bid Package should:

- ◆ Identify the property and work specifications
- ◆ Provide a time for pre-bid walk-through with interested contractors
- ◆ Indicate the time and place for bids to be submitted
- ◆ Include a Bid Form that must be completed and signed to be considered, including a cost proposal form with pricing by line items
- ◆ Indicate the number of days the bid must be good (____ days)

The Subrecipient should identify multiple bidders (at least three) to be solicited for each contract. The homeowner should have a choice in who can bid, but bidders must meet the Subrecipient's requirements and standards for bidding on a project.

Subrecipients should issue a Call for Bids and release the Bid Packet to any interested contractor.

3.3.3.5. Pre-bid meeting/ Open House

The Subrecipient will schedule the Pre-Bid Conference with the homeowner and notify bidders. The Subrecipient will be present and answer any questions or concerns the homeowner may have.

The purpose of the Pre-Bid Conference is to review the scope of work with the contractors and determine if any adjustments need to be made prior to bidding. It is the responsibility of the contractor to verify measurements and review the scope of work prior to leaving.

3.3.3.6. Bid Review & Selection

When the time for bid submission has lapsed, the Subrecipient should review the bids received. The homeowner should be invited to be present. If the bid is being conducted under sealed bid procurement, bidders should be welcome as well.

At bid opening, the Bid Tabulation Form should be filled out by the Rehab Program manager as each bid is opened.

Subrecipient will analyze the bids for:

- ◆ Contractor qualifications
- ◆ Cost
- ◆ Responsiveness to the requirements of the solicitation
- ◆ Previous experience
- ◆ Financial references
- ◆ Previous performance of the contractors on any prior contracts for the Subrecipient

The Subrecipient will identify the acceptable bids and identify the maximum amount the program is willing to pay. Bids that do not exceed Agency Estimate and the contractor meets bidder requirements including insurance and licensing should be presented to the homeowner. If the homeowner is the procurer, the selection of the contractor should be left to the homeowner.

3.3.3.7 Native American Contractor Preference

For projects located on Tribal land, procurement procedures shall give preference to qualified Native American-owned contractors, to the extent permitted by applicable federal, state, and local laws. This preference is intended to support economic development within Tribal communities and ensure culturally informed participation in the rehabilitation and construction process. All procurement activities will remain consistent with the requirements of 2 CFR Part 200 and other relevant regulations.

3.3.4. HOMEOWNER ACCEPTANCE OF SCOPE, BID & ASSISTANCE

Upon acceptance of the bid, the homeowner will be required to sign an acknowledgement and acceptance of the:

- ◆ Scope of work/work write up
- ◆ Selected contractor
- ◆ Amount and form of assistance (agreement to execute the RCA)

3.3.5. PROJECT UNDERWRITING

All HOME projects are subject to the underwriting requirements of 92.250(b). (See Section 2.7 of this Manual.) Subrecipients should conduct a review of the project scope and budget to be able to certify as part of the Project Reservation Request that the project meets the following HOME underwriting and subsidy layering standards:

- All project costs have been reviewed and determined to be reasonable;
- All sources of funds have been reviewed and determined to be available and adequate but not excessive to complete the project;
- The HOME assistance, in combination with all other public funding, is no more than necessary to provide quality housing for the term of the loan; and
- The homeowner appears to be able to sustain ownership -- including mortgages, taxes and insurance -- for the Restrictive Period.

3.4. STEP 4. PROJECT APPROVAL & RESERVATION

Once the contractor has been selected, the Subrecipient must request Housing New Mexico approval and reservation of funds prior to executing the construction contract and commencing rehabilitation.

This process is to ensure compliance with 24 CFR 92.504(c)(5)(ii); and 92.2

3.4.1. RESERVATION REQUEST

Subrecipients must “reserve” funds for each project by submitting a completed Reservation Request Form. There is also 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.

The HOME Rehab Request Form includes a separate checklist that requires an authorized signatory’s signature from the agency requesting the project approval. All items must be checked as present or N/A in order for the project to be accepted for viewing. Required items include:

- ◆ **TO BE COMPLETED**
- ◆ Project construction budget spreadsheet

- ◆ Subrecipient Certification of Cost Reasonableness
- ◆ IDIS Project Set-Up Form
- ◆ Homeowner Acceptance of Scope, Bid and Assistance

The documents can be sent to the Housing New Mexico Program Manager via the Secure File Transfer System (see Section 4.5. The Request Form and documentation will be reviewed by the Housing New Mexico Program Manager.

The Request and Set Up Form is submitted to Housing New Mexico 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 Review has been completed.

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 Project Checklist Cover Sheet, Section 1 through Section 4 complete with all required documents must be submitted as a complete packet and uploaded into the Secure File Transfer System for review by the Housing New Mexico Program Manager.

This process is specified in more detail in the sections below.

3.4.2. PROJECT ACCEPTANCE NOTICE

Once the project is approved by Housing New Mexico, the Project Acceptance Notice Letter (PAN) will be issued along with the Restrictive Covenant Agreement. This letter confirms that Housing New Mexico has reviewed the Homeowner Verification Package for the project and has accepted the project Set Up documents.

In order to proceed with the reservation process, the letter must be signed and dated on the second page of the notice and the signed notice should be emailed back to the Housing New Mexico Program Manager.

Upon receipt of the signed PAN at Housing New Mexico, the project will be submitted to Housing New Mexico's Accounting Department for the reservation of funds and issued an IDIS 4-digit project number assignment. The project number and the Award and Restrictive Covenant will be sent to the contact person noted on the Setup form via email within 5 to 7 business days.

Once you receive your project number, you may then submit a Request for Reimbursement for costs incurred up to this time.

The Project Acceptance Notice is subject to compliance with the HOME Rehab Program RFP and/or NOFA, HOME regulations, Performance Agreement, and other related federal regulations. If at any time the project is not in compliance with the regulations or does not result in a HOME eligible property to a HOME eligible family, Housing New Mexico will not be responsible for the costs.

The project must be completed and closed out with Housing New Mexico within 180 days of receipt of the project number email notification.

3.4.3. IDIS SET-UP

Upon approval of the project for a reservation of funds, Housing New Mexico staff will set up the project in IDIS and secure an IDIS Project Number for inclusion in the Restrictive Covenant Agreement RCA.)

3.4.4. RESTRICTIVE COVENANT AGREEMENT

The Restrictive Covenant Loan Agreement/Tribal Agreement loan documents **MUST** be signed by the homeowner prior to submitting the reservation request. This document specifies and secures the terms of the loan to the homeowner.

The Agreement will reflect the construction (hard costs) only, excluding lead-based paint, asbestos and radon remediation. The total will also not include Project Soft Costs and Subrecipient Project Delivery Costs or Administrative Costs.

The Housing New Mexico Rehab Program Manager will send the RCA to Subrecipient once the project is Set Up and approved. The RCA will contain the Project Hard Cost amount, which will also be referred to as the Deferred Payment Loan (DPL) on the Set-up Form and Construction Costs on the Request for Reimbursement form.

The Subrecipient will have the customer sign the RCA and have it notarized. This serves as the customer approving your agency to proceed with the Rehab work on their home.

The RCA is required to generate the PAN Letter (in the next step below) which commits the funds to the project in the HUD system.

Changes to the original RCA/Tribal Agreement, including the amount due to Change Orders, must be initialed by the customer/homeowner. Cross out old amounts and write in the new amount. Do not use white out.

Housing New Mexico 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 Housing New Mexico Program Manager of the revised amount via email. The Housing New Mexico 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 Covenant Agreement
- ◆ Tribal Land Award Agreement

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

Procedures to record the Restrictive Covenant Agreements (RCA) with the County:

1. The Housing New Mexico Rehab Program Manager will send the RCA to the Subrecipient once the project is approved, Set Up, and the Program Hard Cost amount is set.
 - a. The RCA amount is also referred to as the Deferred Payment Loan DPL on the Set-up Form and Construction Costs on the Request for Reimbursement form.
2. The RCA form will also have a screen shot inserted of a section of the title/deed specific to this project.
3. The Subrecipient will have the customer sign the RCA and will have it notarized.
4. The funds are now committed, the Construction Contract can be executed, and the work can begin.
5. If there is a change to the Program Hard Cost amount upon completion of the project, the Subrecipient will make a handwritten notation on the original RCA and have the customer initial the change.
6. Once the project is complete, the Subrecipient will record the original (as modified) RCA at the County in the Real Property Department. It must be signed, dated and notarized for it to be accepted for recording.
7. The Subrecipient will then send the final original notarized and recorded copy to the Housing New Mexico Rehab Program Manager, which must be received before it can be processed by the Housing New Mexico Servicing Department and the project can be closed out. (Note: the Rehab Loan will go onto the customer's credit report as a zero-amount loan.

3.4.5. PROJECTS THAT DO NOT PROCEED

3.4.5.1. Dispute Resolution & Appeal Process

Subrecipients must have a formal standardized grievance process to address appeals of program applicants and clients, including application rejection, denial of assistance, and contractor disputes. The process must at a minimum include:

- ◆ Applicants/Homeowners are informed of their right to file a grievance at initial intake;
- ◆ A procedure for submitting an appeal/grievance;
- ◆ A designated grievance liaison within the agency; and
- ◆ An established escalation process if no resolution is found through initial efforts, including the right to contact the subrecipient's director, Housing New Mexico and/or HUD.

3.4.5.2. Project Cancellation by Homeowner

If, after the RCA is signed and the rehabilitation project begins, the homeowner decides not to proceed with the rehabilitation of their home, expenses that the Subrecipient has incurred while processing the application for approval may be charged to the Subrecipient's Administrative budget.

A Subrecipient may request Housing New Mexico approval to charge back expenses not recovered to the homeowner.

3.4.5.3. Project Termination

If a program Customers/Homeowner violates written program requirements, the Subrecipient may terminate assistance in accordance with a formal process established by the Subrecipient that recognizes the rights of individuals affected. The Subrecipient must exercise judgment and examine all extenuating circumstances in determining when violations warrant termination so that a program participant's assistance is terminated only in the most severe cases.

When terminating HOME Rehab assistance, the required formal process shall minimally consist of:

- ◆ A written notice to the program Homeowner containing a clear statement of the reasons for termination;
- ◆ A review and appeal process, in which the program participant is given the opportunity to present written or oral objections before a person other than the person (or a subordinate of that person) who made or approved the termination decision; and
- ◆ Prompt written notice of the final decision to the program participant.

Termination does not bar the Subrecipient from providing further assistance at a later date to the same family or individual, unless the Subrecipient requests and Housing New Mexico approves debarment based on the circumstances of the termination.

3.4.6. CONTRACT

The Subrecipient will prepare and distribute a Three-Party rehabilitation construction contract to be signed by the homeowner, the contractor, and the Subrecipient as the Program Administrator.

The homeowner and contractor should sign the Contract in the presence of a notary.

The Contract can be amended as necessary with each contractor.

- A. The homeowner, Subrecipient and the contractor have signed off that the work has been completed satisfactorily and meets all program requirements.
- B. Subrecipient's must require that all contractors sign a release of lien form for all construction activity completed and paid for with HOME funds.
- C. Required HOME contract provisions – the following may be triggered:
 - i. Labor Standards: Davis-Bacon applies only to construction contracts of 12 or more HOME-assisted units. Therefore, it is assumed it will not apply to contracts under this program.
 - ii. Section 3: Requirements for individual contractors are triggered at \$100,000.
 - iii. MWBE requirements: All contractors are encouraged to utilize minority and women owned business enterprises.

3.5. STEP 5. CONSTRUCTION

3.5.1. RELOCATION

The HOME Program is subject to an overall policy of minimizing displacement and is subject to the Uniform Relocation Act and Section 104(d) of the Housing and Community Development Act of 1974, as amended.

Under most circumstances, homeowner-occupied rehabilitation will not result in permanent displacement.

Temporary relocation may be necessary due to extensive rehabilitation or reconstruction making the home unusable while work is progressing. Temporary relocation may also be triggered by lead hazard control work following the requirements of 24 CFR 35.1345(a)(2).

Owner-occupants can be asked to voluntarily self-relocate during this period or may be assisted with HOME program funds for the costs of temporary relocation.

Federal requirements give administrators flexibility in determining and paying the costs of temporary relocation. Consult with Housing New Mexico if there are questions regarding appropriate eligible HOME program costs of temporary relocation.

3.5.2. PROCEED ORDER

A proceed order can be issued after:

- ◆ A Pre-Construction Conference is held, and the Pre-Construction Conference Document is signed by homeowner and Contractor.
- ◆ Permits are obtained by the contractor.

3.5.3. CONSTRUCTION SUPERVISION

All personnel involved in a rehabilitation project must be qualified to complete activities in compliance with the contract. If the nature of the work requires personnel to be licensed or otherwise certified to perform the work, the BHP shall ensure that all participating parties meet the requirements.

During rehabilitation, the job site must be kept in a clean and organized manner, keeping in mind that the homeowner may still have to occupy the property throughout rehabilitation.

The execution of the rehabilitation work must be performed in a manner consistent with the manufacturer's installation recommendations pertaining to materials, applicable codes and current accepted industry practices.

Before and After Photos are required to show the condition of the home before the Rehab work is completed and after the work is completed. Each project must have before and after photos in each file.

The contractor must supply the property owner with all manufacturer's warranties and instruction manuals and instruct the owner as to any other necessary procedures that are required at the completion of the project.

HOME rules require progress and final inspections to determine that work was done in accordance with the work scope, contract and property standards. All progress and final payments to contractors must be signed off by the Subrecipient's construction professional, homeowner and contractor.

3.5.4. LBP HAZARDS & CLEARANCE

If hazard controls are required:

- ◆ Hazard controls must be done by abatement or interim controls professionals as required by 24 CFR 35.930(d).

- ◆ Interim and/or final clearances must be done by a qualified inspector or risk assessor professional as required by 24 CFR 35.1340.
- ◆ Notice is given to the homeowner documenting clearance results.

3.5.5. DRAW REQUESTS

Subrecipients may submit interim project invoices for work in progress.

Construction invoices must be supported by:

- ◆ Copy of Contractor Payment Request and/or any material receipts
- ◆ Progress Inspection Sheet/Field Inspection Reports with photos – each request
- ◆ Retention of 10% holdback until project completion, deducted from the draw request
- ◆

Subrecipient Soft Costs and Project Delivery Expenses must be supported by:

- ◆ Dated and signed timesheets for all direct project-related salaries for project management time spent on each project.
- ◆ Receipts for all third-party soft costs.

All requests for reimbursements must have corresponding backup documentation such as a grant specific/project specific General Ledger, contractor/vendor invoices, material receipts, time sheets showing time spent providing project management, copies of check payments, etc.

Housing New Mexico will only accept a Request for Reimbursement that has the original authorized official signature and all corresponding backup documentation as well as the assigned 4-digit IDIS Project number. Documentation that is insufficient or difficult to decipher will delay or halt the reimbursement process and may be grounds for the entire request to be denied, then returned to the subrecipient for correction, to be resubmitted properly at a later date.

Requests for Reimbursement and all backup documentation are due every Friday by 5pm in order to receive payment by the following Friday(7-day turn around time). This due date allows adequate time for the Rehab Program Manager to review the documents, provide feedback to any deficiencies, as well as submit complete requests to the Housing New Mexico Accounting Department by each Tuesday.

Note: Projects that have not drawn any funds within 90 days of the receipt of the email containing the project number may be canceled by Housing New Mexico.

The Subrecipient must hold back 10% of the final payment to the contractor until after final completion of construction work and all required documentation has been submitted. The holdback will not be drawn from IDIS or disbursed by Housing New Mexico until project completion.

3.5.6. 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 Housing New Mexico. No work may be started until Housing New Mexico signs the change order. The only exception is if there is an immediate health or safety issue.

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

Any time the original Estimated Project Cost changes, a Revision must be submitted to Housing New Mexico with a Change Order Form.

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

3.6. STEP 6. PROJECT COMPLETION

3.6.1. FINAL INSPECTION

HOME rules require a final inspection to document that work was done in accordance with the work scope, contract and HOME property standards (92.251(c)). All progress and final payments to contractors must be signed off by the Subrecipient's construction professional, homeowner and contractor.

The final inspection must certify completion of the scope of work and that the property meets NYS and/ or Local Code. The inspection must be performed by a NYS Code certified inspector. Documentation must include a signed and dated report from the Code inspector that the property meets NYS and/or local Code.

A Progress Inspection Sheet/Field Inspection Report is required after the Rehab work has been completed. The Subrecipient must submit the Inspection Report with requests for reimbursement where Construction costs for the period are being billed.

Before and After Photos are required to show the condition of the home before the Rehab work is completed and after the work is completed. Each project must have before and after photos in each file.

3.6.2. LBP CLEARANCE

If any hazards were identified and addressed in the rehabilitation, the whole house must undergo clearance testing as required by HUD and EPA. As noted above, the results need to be disclosed to the owner and documented in the file.

3.6.3. COMPLETION & FINAL DRAW

At the end of the project, the sub-grantee must submit a Completion Form to the Housing New Mexico 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). The Project Checklist and ALL forms required for the Project must be submitted.

A project is completed when:

- ◆ All construction work has been performed;
- ◆ The project complies with the required property standards;
- ◆ The homeowner, Subrecipient and Contractor have signed a statement that all construction activity is complete and satisfactory according to program requirements;
- ◆ The final drawdown of HOME funds has been disbursed for the project; and
- ◆ The RCA has been recorded.

Upon Project Completion, the following Contractors forms will need to be submitted as indicated on the Project Completion Checklist.

- ◆ Certificate of Final Inspection & Final Inspection Report
- ◆ Certification and Release - signed and Returned PRIOR to final Payment being issued
- ◆ Waiver and Release of Mechanics Lien – signed by contractor and any Subs that are used to protect the owner's interest. MUST be signed, notarized and returned to the Agency prior to final payment being issued.
- ◆ IDIS Project Setup/Completion Form

Because a Primary Contractor might subcontract out other contractors, this form has the signature of all contractors associated with the project so they can't put a lien on the property later. They have also already signed indicating that they have been paid.

Completion forms that are incomplete or inaccurate will be returned for corrections that will delay the close-out of the project. The original amounts listed on the Set Up form are to be included on the Completion form, plus any revised amounts if applicable.

Subrecipients should make sure that the following documents are part of your customer file for the project. These items DO NOT need to be submitted to the Housing New Mexico; however, they will be reviewed at the time of the annual Monitoring visit of your agency.

- ◆ Contract Final Statement of Completion – signed and returned to Agency
- ◆ Contractor's Limited Warranty – signed and returned to Agency
- ◆ Punch List - completed
- ◆ Procurement

Upon submitting a complete and accurate completion packet and once approved by Housing New Mexico, the FINAL Request for Reimbursement will be paid on the project. (This will close out the account with HUD and no more activity can be submitted or billed for this project)

4. PROGRAM ADMINISTRATION

4.1. SUBRECIPIENT CONTRACT & RENEWALS

HOME funding is awarded annually to nonprofits and public agencies and authorities, subject to the funding received from HUD and other available funds. Currently an open NOFA remains from 2023 and is replenished up to annually to continue funding active subrecipients as well as funding incoming eligible applicants who meet the threshold requirements and meet the minimum scoring criteria to become a subrecipient.

√	Items Required
	Current Organization Chart
	Current resumes for the executive director, financial manager, program manager, and other key staff
	Most recent monitoring letter(s) from MFA and all major funders
	Describe current, material litigation
	Print screen from www.sam.gov and https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp documenting search for agency's name and executive director's name, as proof of compliance. The search must be dated within 30 days of the renewal date.
	Proof of current registration as a charitable organization with the New Mexico Attorney General's Office, covering the current fiscal year of 2021. Information can be submitted online and verification obtained via https://secure.nmag.gov/coros/ . Verification should be in the form of the first page of the "NM Charitable Organization Registration Statement."
	Offeror must provide an independent CPA's auditor's report (audit) conducted in accordance with Government Auditing Standards (GAS). The GAS Audit will include an independent auditor's report on the following: <ul style="list-style-type: none"> • Financial statements • Internal control over financial reporting and compliance

	<ul style="list-style-type: none"> • Schedule of Expenditures <p>Offeror must submit their fiscal year 2020 audit or audited financial statements. If Offeror receives \$1,000,000 in federal funds, a Single Audit is required pursuant to 2 CFR 200 Subpart F. Proof of Federal Audit Clearinghouse submission (FORMSF-SAC) must be provided, and if applicable, submission of Management Response Letter.</p> <p>If an audit has been provided to MFA in the past 60 days, you do not need to resend.</p>
	Staff member certificates- RRP, OSHA, QCI
	GB-02 License Proof (GB-98 for multifamily)
	MHD-2 or MHD-3 License Proof (NA for multifamily)
	Commercial Liability Insurance Certificate- Must be Consistent with Master Contract Requirements
	Signed Offeror's Certification (attached)
	If any unresolved findings/concerns from the most recent MFA monitoring, must submit a letter to MFA addressing the corrective action required.

Housing New Mexico staff will reach out to request the annual renewal documentation and timely response is appreciated. Failure to respond within the window given, may result in delayed or suspended reimbursement in program funding on active projects as well as suspension or delay in new project set ups being processed.

4.1.1. PERFORMANCE AGREEMENT

Upon selection, the Subrecipient will enter into a Performance Agreement for the HOME Rehabilitation Program with Housing New Mexico which authorizes the Subrecipient to administer the HOME Rehabilitation Program in designated service areas. The Agreement template can be located on the Housing New Mexico website.

The contract term for the HOME REHAB award is the HOME Program Year – July 1 through June 30. Renewals are discussed below.

If Housing New Mexico determines a subrecipient to be unable to spend all grant monies by the contractual deadline, funds may be recaptured and redistributed to a recipient that will be able to spend the funds in a timely manner on eligible activities. If a Subrecipient's funds are recaptured by Housing New Mexico, this will affect any award made to the applicant in the following grant period.

4.1.2. RENEWALS

Each year, documentation is collected and reviewed to determine that the Subrecipient continues to meet the eligibility criteria and the Subrecipient may be offered a renewal and funding for an additional year.

Documentation required for renewal includes:

- ◆ Current financial audit or audited financial statements
- ◆ Staff Capacity/Experience & organization chart
- ◆ Proof of Registration as a charitable organization (if nonprofit)
- ◆ Status of good standing - sam.gov
- ◆ Funders and recent monitoring results
- ◆ Offeror's Certification

Housing New Mexico may request additional documentation and/or change the renewal documentation requirements annually.

Annual funding will be determined based on the following:

- ◆ Performance measures
- ◆ Funding expenditures
- ◆ Counties served/proposed to serve
- ◆ Experience
- ◆ Risk factors
- ◆ Findings/Compliance

4.2. SUBRECIPIENT RESPONSIBILITIES

Subrecipients are responsible for the administration of their local program and projects in full compliance with HOME Rules and the policies and procedures stated in this Manual.

4.2.1. SUBRECIPIENT PROCEDURES MANUAL

Each Subrecipient must develop a manual documenting its internal procedures for implementing the Program in compliance with this Manual and HUD regulations at 24 CFR Part 92 and 2 CFR Part 200. The Procedures Manual should describe its procedures for:

1. Application processing & eligibility, including applicant appeals process
2. Development of scope of work, including LBP & radon assessments
3. Contractor procurement, evaluation & selection
4. Contract supervision & inspection procedures – progress, payment & final
5. Change orders
6. Payment processing

4.3. SUBRECIPIENT COMPENSATION

HOME subrecipients are public or nonprofit program administrators who are eligible for reimbursement of their costs of administration either from program administrative funds or as project delivery costs, as outlined below.

Subrecipients may only be reimbursed for actual and documented costs under Federal Rules. Subrecipients may not be paid fees or profit.

4.3.1. ADMINISTRATIVE COSTS

Admin costs are staff, overhead and direct costs that the subrecipient incurs in order to administer or manage its overall HOME program. Admin Costs are authorized under 92.207. Examples of program admin costs include:

- ◆ General management, oversight and coordination costs – including oversight of staff, budgeting, financial management, scheduling, reporting, monitoring, evaluation, travel costs, third party services (e.g., audit), equipment, insurance, utilities.
- ◆ Public information & fair housing costs – including general outreach & marketing.
- ◆ Compliance costs -- complying with other Federal requirements (program wide clearance must be admin; project specific can be either) planning, public participation, monitoring, financial management and reporting.

Subrecipients may charge staff time, consultant time and other direct costs within the specified Administrative Cost limit provided in the approved budget. Indirect Costs may be charged on Administrative Costs either (1) under a Cost Allocation Plan prepared and approved in accordance with 2 CFR 200.416, or (2) the de minimis rate of 15% as permitted by 200.414(f).

If a project does not receive a commitment and/or is not completed, the cost may not be charged as Project Delivery and may only be charged to Administrative Costs. The project delivery costs incurred in planning such projects may be eligible to be charged as a program administrative cost, if applicable, if the costs are eligible as admin costs as defined in 92.207, and there are sufficient funds in the subrecipient's Administrative line item to cover the costs.

Direct project costs such as rehabilitation costs that may have been incurred for projects that are not completed are ineligible to be charged as admin and cannot be paid with HOME funds. Such costs, to the extent drawn from HOME, must be repaid.

For Housing New Mexico homeowner rehabilitation programs, a Subrecipient may be awarded up to and charge up to 5% of the Program Budget as Administrative Costs, an amount which is specified in the Subrecipient Contract. The change from 3% administrative award to 5% award will only be applicable to 2024 awards and onward.

4.3.2. PROJECT DELIVERY COSTS

Project delivery costs are staff, overhead and direct costs incurred by the subrecipient to implement activities for specific HOME-assisted units. Project Delivery costs are authorized under 92.206(d)(6).

For owner-occupied rehab, the following may be charged to the Project:

- ◆ Application intake/processing
- ◆ Owner eligibility determination & underwriting (when applicable)
- ◆ Homeowner counseling (Subrecipient should ensure homeowners understanding of Program Regulation and Restrictive Period)
- ◆ Initial inspections
- ◆ Work write-ups & specifications
- ◆ Project-specific environmental review & other federal compliance costs
- ◆ Bid documents, procurement and contracting
- ◆ Project document preparation
- ◆ Financing & closing
- ◆ Construction management & progress/final inspections

Indirect Costs may be charged on Project Delivery Costs either (1) under a Cost Allocation Plan prepared and approved in accordance with 2 CFR 200.416, or (2) the de minimis rate of 15% as permitted by 200.414(f).

For HOME homeowner rehabilitation programs, a Subrecipient may charge up to ___% of the Program Budget to Project Delivery.

Note that Project Delivery costs:

- ◆ Are part of total project costs and therefore subject to the maximum per unit assistance limits;
- ◆ May not also be charged to administrative costs; and
- ◆ May not be charged to the owner or included in owner's promissory note or deed of trust.

4.3.3. INDIRECT COST POLICY

Indirect Costs may be charged on the Subrecipient's Administrative Costs and/or Project Delivery Costs either (1) under a Cost Allocation Plan prepared and approved in accordance with 2 CFR 200.416, or (2) the de minimis rate as permitted by 200.414(f).

4.3.4. SUBRECIPIENT COST DOCUMENTATION

Subrecipients may only be reimbursed for actual costs incurred. Therefore, both Admin and Project Delivery eligible costs are:

- ◆ Staff labor;
- ◆ Fringe benefits allocated to labor hours per 2 CFR 200.431; and
- ◆ Overhead:
 - If an indirect rate has been established with a federal agency (2 CFR 200.414), the overhead rate may be charged.

- If an indirect rate has not been established with a federal agency, the Subrecipient may only charge 10% Overhead as permitted by 2 CFR 200.414(f).

All costs must be reasonable and necessary for the Program. No cost may be double billed to another funding source.

HOME project delivery costs are required to be tied to a specific address, including documentation of specific projects in timesheets or personnel records consistent with the requirements of 2 CFR 200.430(i). HOME Administrative Costs must be identified in personnel records as time devoted to the HOME Program, but do not have to be specified for individual projects.

4.4. FINANCIAL MANAGEMENT STANDARDS

Subrecipients must have financial management systems that meet uniform federal administrative requirements (2 CFR 200.301 - .316) that:

- ◆ Provide effective control over and accountability for all funds, property and other assets.
- ◆ Identify the source and application of funds for federally sponsored activities including records and reports that verify the eligibility, reasonableness, allowability and allocability of costs.
- ◆ Permit the accurate, complete and timely disclosure of financial results in accordance with HUD reporting requirements or, for sub recipients, grantee reporting requirements.
- ◆ Minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the grantee or sub recipient.

Subrecipients must comply with the Uniform Administrative Requirements as set forth in 2 CFR Part 200.

The Subrecipient's financial management standards should provide for:

- ◆ Internal Controls – The combination of policies, procedures, job responsibilities, personnel and records that together create accountability in an organization's financial system and safeguard its cash, property and other assets.
- ◆ Budget Controls – procedures to compare and control expenditures against approved budgets.
- ◆ Accounting Records – records that sufficiently identify the source and application of HOME funds provided.

- ◆ Cash Management – procedures in place to minimize the amount of time that elapses between receipt of HOME funds and the actual disbursement of those funds.

Housing New Mexico requires that all expenses billed to Housing New Mexico be tracked in a grant-specific general ledger. This general ledger must correspond each month with the invoice submitted to Housing New Mexico. For every transaction, sufficient back-up documentation must be kept on file to demonstrate the amount, the payee and the eligibility of the expense.

Internal controls reflect the overall financial management of an organization. Standards for financial management systems of nonprofit organizations may be found in 24 CFR 84. The following areas should be included:

- ◆ Budget Controls: When budget controls are adequate, the subrecipient will have a regular, on-going basis of comparison between actual expenditures and program-budgeted amounts for the activities. The program budget will cover intended activity expenses with very little necessity for adjustments during the grant period.
- ◆ Accounting Controls: Expenditures must be supported by invoices, contracts, purchase orders, etc., even when Housing New Mexico does not require full details to accompany draw requests. If minimal documentation is allowed with a draw, subrecipients must have detailed records onsite to provide a complete audit trail at any time.
- ◆ Wages supported by more than one funding source must be documented by records that clearly show the time distribution and wage breakdowns between programs.
- ◆ Financial records relative to the HOME REHAB must be maintained for a minimum of seven (7) years from the last transaction with Housing New Mexico. (2 CFR 200.303)
- ◆ Procurement Rules: 2 CFR Part 200 provides regulations that govern the procurement of supplies, equipment, construction and services to ensure that they are obtained economically and competitively. In summary, subrecipients may use their own procurement procedures as long as they conform to the regulations. Important elements for subgrantees to consider are a system to handle contract disputes; a code of conduct preventing conflicts of interest; some form of cost analysis to ensure economic purchases; positive efforts to use small, minority-and woman-owned businesses to the maximum extent possible.
- ◆ Property Controls: The federal regulations regarding property controls are for the purpose of tracking the assets purchased with grant funds to ensure that they are properly maintained, secure and being used for authorized purposes. Housing New Mexico is required to do a periodic physical inventory on these items to verify their existence, current utilization and continued need. For this reason, agencies using HOME REHAB funds to purchase furnishings or equipment should keep accurate records including the following: a complete description of the item purchased, a serial number or other identification number, the source of funds and Grant Agreement number, the acquisition date, and the cost.

4.5. ADMINISTRATIVE SYSTEMS

4.5.1. PROGRAM DOCUMENTS & FORMS

INDICATE THE LOCATION OF ALL PROGRAM FORMS.

4.5.2. SECURE FILE TRANSFER SYSTEM

All Program Documents must be uploaded to the Secure File Transfer System at Housing New Mexico for protection of Personally Identifiable Information (PII). E-mailed documents will not be accepted unless otherwise noted by the Rehab Program Manager.

HOW TO CREATE SFT ACCOUNT

The Secure File Transfer System Manual is located: _____

All HOME Rehab Forms and Guidance for the Forms are located: _____

4.6. OTHER PROGRAM REQUIREMENTS

4.6.1. AFFIRMATIVE MARKETING

Subrecipients are required to conduct outreach following Schedule F-9 of the Funding Source Agreement. Within 30 days of receipt of an executed contract, Subrecipient shall submit to MFA for approval a policy on how the agency will:

- ◆ Provide details on agency outreach methods for each county assigned.
- ◆ Detail how agency plans to develop and manage a waiting list per county.
- ◆ Explain how the agency will ensure that each county assigned to the agency will be served in an equal and fair manner.

4.6.2. CONTRACTOR OUTREACH

92.350(b) requires outreach to minority and women owned business enterprises for contracts under this program. Refer to Section 3.3.3.3 of this Manual.

4.7. REPAYMENTS

Under the terms of the Performance Agreement between MFA and the Subrecipient and in accordance with HUD regulation 24 CFR 92.503 (b)(2) "Repayments", it states that if a project did not complete the scope of work (SOW), then it cannot be closed out. The project(s) will need to be cancelled, and the money returned to MFA's HOME funds. Alternatively, the project(s) can be transferred to another agency to complete the SOW. In order for MFA to cancel a project in IDIS with HUD it needs to have a \$0.00 balance. MFA will require the Subrecipient to repay Program Funds expended for that specific project within 60 days after written request from MFA under the terms of the Performance Agreement between MFA and the Subrecipient.

4.8. SUBRECIPIENT POST-COMPLETION RESPONSIBILITIES

4.8.1. OWNER OCCUPANCY

Homeowners assisted under this program are required to occupy the home as their principal residence during the Restrictive Covenant Period. Subrecipients must notify MFA if any homeowners fail to comply with the occupancy requirements or sell without complying with the Restrictive Covenant Agreement.

4.9. HOUSING NEW MEXICO MONITORING OF SUBRECIPIENTS

The HOME Rule at 92.504 requires Housing New Mexico to monitor its subrecipients at least annually. Housing New Mexico will adopt a variety of monitoring techniques to oversee Subrecipient implementation of the program, including:

- ◆ Desk reviews of Project Eligibility Approval Requests and accompanying documentation
- ◆ Desk reviews of Reservation Requests
- ◆ Desk review of draw requests and invoices
- ◆ Desk review of completion reports
- ◆ Periodic site visits to inspect projects and files
- ◆ Annual review of performance
- ◆ Review of annual audits
- ◆ Review of homeowner complaints

Monitoring forms used by Housing New Mexico are available at: [\[REDACTED\]](#)

4.10. REPORTING

Subrecipients will report primarily on a project basis with the submission of:

- ◆ Project Eligibility Approval Request
- ◆ Reservation Request
- ◆ Project Completion Report

The required documentation for each of these submissions is in the applicable section of this Manual.

4.11. RECORDKEEPING

4.11.1. PROGRAM FILES

4.11.2. PROJECT FILES

4.12. AUDIT

Subrecipients that expend more than \$1,000,000 in federal funds (not limited to HOME) in its fiscal year are subject to the audit requirements at 2 CFR 200.501 - .512 (formerly A-133.). The Subrecipient must notify Housing New Mexico within 60 days of the end of its fiscal year whether or not if it is subject to this requirement.

4.13. CONTRACT CLOSEOUT

A contract is eligible for closeout when:

- ◆ All program funds for HOME assisted units have been disbursed.
- ◆ All units have been reported as completed in IDIS.
- ◆ All required reports have been submitted, except for the most recent audit if it is not yet due.
- ◆ Any undisbursed fund and/or program income on hand at closeout have been returned to Housing New Mexico.
- ◆ The Subrecipient has been monitored with all monitoring findings resolved.

Housing New Mexico reserves the right to de-obligate committed HOME funds for non-compliance with the terms of the contract. All remaining program funds not expended at contract close out will be de-obligated and reallocated for future HOME eligible activities according to the State's Action Plan. Housing New Mexico will issue a close out letter to the Subrecipient and de-obligate any remaining unexpended HOME funds.

The Subrecipient is required to maintain all program files and documentation, including financial information, for a period of at least five years after the closeout of the contract.

in accordance with 24 CFR 92 & 2 CFR 200 acting as an extension of Housing New Mexico for this HOME Homeowners Rehabilitation Program.

EXHIBIT A: HOUSING NM HOME HOMEOWNER REHABILITATION PROPERTY STANDARDS

Last Revised: March 24, 2025

PROGRAM INTENT

The Homeowner Rehabilitation Program, funded through the HOME Investment Partnership Program, is designed to provide safe, decent, and sanitary housing for low-income homeowners, effectively creating sustainability for residents across New Mexico.

In accordance with 24 CFR 92.251(b) and 92.251(e) all housing assisted with HOME funds must meet specific Property Standards. The Participating Jurisdiction must establish written rehabilitation standards to ensure that HOME-assisted units are safe, decent, and sanitary.

This document serves as the guiding framework for the Housing NM HOME Homeowner Rehabilitation Program and must be adhered to for all program-funded projects.

STANDARDS FOR REHABILITATION

The following categories must be reviewed and incorporated into all scopes of work:

1. Code Compliance Requirements
2. Health & Safety Issues & Substandard Conditions
3. Structural Requirements
4. Space & Occupancy Requirements
5. Sanitation Requirements
6. Mechanical System(s) Requirements
7. Safety Requirements
8. Resource Efficiency & Healthy Homes Standards

All rehabilitation work must align with these standards. Any requests beyond these requirements are not eligible under the Homeowner Rehabilitation Program. However, reasonable exceptions may be submitted to Housing New Mexico for review and consideration on a case-by-case basis.

MAJOR SYSTEM SPECIFICATIONS

The major systems are encompassed within the eight (8) rehab standards listed above and detailed throughout this document. However, the “**major systems**” specified in this section must be evaluated and determined to have a minimum remaining useful life of at least five (5) years upon project completion. Each scope of work developed under these standards must ensure functionality, repair, or replacement of the major systems defined below.

Major Systems Defined Per 24 CFR 92.251(b)(ii):

- ✓ Structural Support
- ✓ Roofing
- ✓ Cladding & Weatherproofing (e.g., windows, doors, siding, gutters)
- ✓ Plumbing

- ✓ Electrical Systems
- ✓ Heating, Ventilation & Air Conditioning (HVAC)

ACCESSIBILITY MODIFICATIONS

Housing New Mexico requires Subrecipients to evaluate reasonable modification requests for homeowners needing accommodations due to disability, handicap, or aging in place.

- ◆ All projects must comply with HUD property standards, which are mandatory and non-negotiable.
- ◆ If funding allows, reasonable accessibility requests should be incorporated into the project scope.
- ◆ If the cost of accessibility modifications exceeds available funding, a formal request must be submitted to Housing New Mexico for review and consideration.

COMPLIANCE & OVERSIGHT

Compliance with these rehabilitation standards will be verified through the following measures:

- ✓ **On-Site Inspections** – Conducted by the Subrecipient or Program Administrator to certify compliance with established standards.
- ✓ **Housing New Mexico Oversight** – Includes random quality control (QC) checks during initial inspections and a thorough review of all project scopes of work.
- ✓ **Annual Monitoring Inspections** – Encompasses a review of completed projects to ensure alignment with the approved scope of work.

1. CODE COMPLIANCE REQUIREMENTS

HOME assisted homeowner rehabilitation projects, including manufactured housing, must meet all applicable state and local codes upon completion.

- ◆ 2021 New Mexico Existing Building Code: [14.7.7 NMAC](#)
- ◆ 2021 New Mexico Residential Building Code: [14.7.3 NMAC](#)
- ◆ 2021 New Mexico Plumbing Code: [14.8.2 NMAC](#)
- ◆ 2020 New Mexico Electrical Code: [14.10.4 NMAC](#)
- ◆ 2021 New Mexico Residential Energy Conservation Code 1 & 2: [14.7.6 NMAC](#) & [14.7.9 NMAC](#)
- ◆ 2021 New Mexico Fire Code: [10.25.5 NMAC](#)

If additional state or local codes are adopted, the requirements of those codes shall apply. The codes listed above serve as a quick reference for creating scopes of work; however, this list is not all-inclusive.

All applicable state and local codes must be followed for each project.

MANUFACTURED HOMES.

Rehabilitation.

[24 CFR 92.251(b)] In HOME-funded rehabilitation of existing manufactured housing, the foundation and anchoring must meet all applicable State and local codes, ordinances, and requirements or in the absence of local or state codes, the Model Manufactured Home Installation

Standards at 24 CFR part 3285 as all rehabilitated mobile/manufactured housing must be placed on a permanent foundation in order to qualify for this Program.

Replacement.

[24 CFR 92.251(e)] Construction of all manufactured housing including manufactured housing that replaces an existing substandard unit under the definition of “reconstruction” must meet the Manufactured Home Construction and Safety Standards codified at 24 CFR part 3280. These standards preempt State and local codes which are not identical to the federal standards for the new construction of manufactured housing.

- ✓ HOME assistance to manufactured housing units must comply with applicable State and local laws or codes regarding installation. In the absence of such laws or codes, the installation must comply with the manufacturer's written instructions for installation of manufactured housing units.
- ✓ All new manufactured housing and all manufactured housing that replaces an existing substandard unit under the definition of “reconstruction” must be on a permanent foundation that meets the requirements for foundation systems as set forth in 24 CFR 203.43f(c)(i).
- ✓ All new manufactured housing and all manufactured housing that replaces an existing substandard unit under the definition of “reconstruction” must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable Restrictive Period.

2. HEALTH & SAFETY ISSUES & SUBSTANDARD CONDITIONS

The following list of life-threatening deficiencies was developed from proposed NSPIRE life-threatening deficiencies, and must be identified during the inspection, incorporated into the scope of work, and addressed as soon as feasible.

LIFE THREATENING HEALTH & SAFETY.

UNIT/INSIDE

- ◆ **Carbon Monoxide Alarm** – missing, not installed in a proper location, obstructed or not producing audio or visual alarm when tested
- ◆ **Chimney** – visually accessible chimney flue or firebox connected to a fireplace or wood-burning appliance is incomplete or damaged such that it may not safely contain fire and convey smoke and combustion gases to the exterior
- ◆ **Clothes Dryer Exhaust Ventilation** – dryer transition duct is detached, constructed of unsuitable material, missing, or has restricted airflow
- ◆ **Egress** – obstructed egress
- ◆ **Electrical** – exposed electrical conductor, outlet or switch is damaged, or the overcurrent protection device in the service panel is damaged
- ◆ **Flammable and Combustible Items** – improperly stored flammable or combustible item on or near an ignition source
- ◆ **Foundation** – appears to be in imminent danger of collapse or failure

- ◆ **Guardrail** – guardrail is missing, not installed, or not functionally adequate
- ◆ **Heating Ventilation and Air Conditioning (HVAC)** – resident is unable to maintain a minimum temperature of 68 degrees Fahrenheit through a safe heating source, heating system or device fueled by combustion has a misaligned, disconnected, improperly connected, damaged, blocked or missing exhaust vent, combustion chamber cover or gas shutoff valve is missing from a combustion-fueled heating appliance, or natural gas, propane or oil leak
- ◆ **Smoke Alarm** – not installed where required or does not produce an audio or visual alarm.
- ◆ **Structural System** – structural system exhibits signs of serious failure. A building structure safely supports and transfers weight loads. Structure can include, but not limited to, exterior walls, windows, roof, columns, and beams.
- ◆ **Toilet** – only one (1) toilet was installed and it is missing, damaged or inoperable
- ◆ **Water Heater** – chimney or flue piping is blocked, misaligned or missing, or gas shutoff valve is damaged or not installed

OUTSIDE

- ◆ **Chimney** – visually accessible chimney flue or firebox connected to a fireplace or wood-burning appliance is incomplete or damaged such that it may not safely contain fire and convey smoke and combustion gases to the exterior, or chimney exhibits signs of structural failure
- ◆ **Clothes Dryer Exhaust Ventilation** - dryer exhaust ventilation system has restricted airflow
- ◆ **Electrical** – exposed electrical conductor, outlet or switch is damaged, or the overcurrent protection device is damaged
- ◆ **Flammable and Combustible Items** – improperly stored flammable or combustible item on or near an ignition source
- ◆ **Foundation** - foundation appears to be in imminent danger of collapse or failure
- ◆ **Guardrail** - guardrail is missing, not installed or not functionally adequate
- ◆ Natural gas, propane or oil leak
- ◆ **Structural System** – structural system exhibits signs of serious failure

SUBSTANDARD CONDITIONS.

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 and must be addressed.

- ◆ **Structural Hazards.** Buildings or portions thereof shall be deemed substandard when they are or contain structural hazards. Structural hazards include, but are not 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
- ◆ **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.
- ◆ **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.
- ◆ **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.
- ◆ **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.
- ◆ **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.
- ◆ **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.

Environmental hazards

The presence of deteriorated paint in pre-1978 homes and/or radon are environmental hazards that must be addressed by Federal Mandate. In addition to these two, Housing New Mexico has also imposed testing for Asbestos for each project.

For a detailed breakdown of these testing requirements please refer to the regulation listed as well as the NM HOME Homeowner Rehabilitation Program Manual subsections listed in parenthesis:

- ✓ **Lead Based Paint:** Hazard controls must follow 24 CFR Part 35 Subpart R. [\(2.5.4\)](#)

- ✓ **Radon:** Mitigation measures must comply with HUD Notice CPD-23-103. [\(2.5.6\)](#)
- ✓ **Asbestos:** Engineering controls and work practices as prescribed in 29 CFR 1910.1001(c) must be followed. [\(2.5.5\)](#)
- ✓ **Mitigation measures:** For Lead-Based Paint, Asbestos, and/or Radon present, proper mitigation measures must be incorporated into the project's scope of work. These measures must be clearly specified to ensure contractors can accurately budget for the necessary mitigation during the bidding process. Only contractors licensed and qualified to perform abatement or mitigation in accordance with the standards outlined in Part 2 and Sections: 2.5.4; 2.5.5; 2.5.6 Rehab Manual are authorized to carry out these services.
- ✓ **Noise Attenuation:** For modernization projects in all noise zones, HUD encourages mitigation to reduce levels to acceptable compliance standards. See [24 CFR 51.101](#) for further details. For projects that are located near noise generators, at least one improvement to the envelope of the home must be included:
 - ◆ Improved building envelope components (better windows and doors, strengthened sheathing, insulation, sealed gaps, etc.)
 - ◆ Redesigned building envelope (more durable or substantial materials, increased air gap, resilient channels, staggered wall studs, etc.)

3. STRUCTURAL REQUIREMENTS

GENERAL.

- ◆ Structures may be of any type of construction that is permitted by the Building Code.
- ◆ Buildings of every permitted type of construction shall comply with the applicable requirements of the Building Code.
- ◆ Roofs, floors, walls, foundations, and all other structural components of the building shall be sound and free from hazardous defects such as severe buckling, bulging or leaning; damaged or loose structural members; large holes; air infiltration, missing parts; falling or in danger of falling loose surface materials and capable of resisting any and all forces and loads to which they may be subjected and should have a useful of 5 or more years upon completion.
- ◆ 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.

SHELTER.

- ◆ Every building shall be weather protected to provide shelter for the occupants against the elements and to exclude dampness.
- ◆ The roof covering shall be capable of accommodating the 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.
- ◆ All wood shall be protected against termite damage and decay as provided for in the Building Code.

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.
- ◆ If foundations are repaired/replaced, IECC Guidelines for Foundations apply:

Foundation			
	Basement Wall R-Value	Slab R-Value & 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

4. SPACE & OCCUPANCY REQUIREMENTS

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.

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.

5. SANITATION REQUIREMENTS

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.

SEPTIC SYSTEMS.

- ◆ Septic system use is limited to designated areas and must adhere to specific guidelines for proper installation and maintenance, including required approval and certification. All Program Administrators and their contracted vendors must comply with all applicable state and local requirements. ([20.7.3 NMAC](#) & [20.7.11 NMAC](#))

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 washbasin or sink must have a gas trap (drain trap).
- ◆ Floors of bathrooms shall be resistant to damage from water or dampness.
- ◆ If the household has accessibility needs, modifications should be made to the extent practicable and within budget.

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.
- ◆ All countertop replacements must use mid-grade materials to ensure durability, functionality and sustainability. Acceptable materials include but are not limited to, granite, tile, butcher block, concrete, and solid surface/acrylic/corian. Alternative materials may be considered if they meet the program's quality and durability standards. Laminate should not be used as this material is considered low-grade and not sustainable.
- ◆ If the household has accessibility needs, modifications should be considered to the extent practicable and within budget.

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.

6. MECHANICAL SYSTEM(S) REQUIREMENTS

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.

EVAPORATIVE COOLING SYSTEMS.

- ◆ Evaporative cooling systems shall be installed according to the manufacturer's guidelines.
- ◆ Evaporative cooling systems shall be installed 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.

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.

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.

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.

7. SAFETY REQUIREMENTS

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.

EGRESS.

- ◆ 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.
- ◆ If the household has accessibility needs, accessibility modifications should be designed to the extent practicable and within budget.

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.
- ◆ A smoke detector must also be installed within 21 feet of any door to a sleeping area measured along a path of travel and, where a smoke alarm installed outside a sleeping area is separated from an adjacent living area by a door, a smoke alarm must also be installed on the living area side of the door.
- ◆ If the unit is occupied by any hearing-impaired person, smoke detectors must have an alarm system designed for hearing impaired persons.
- ◆ 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.
- ◆ Where the use of hardwired smoke detectors places an undue financial burden or is infeasible, the PJ may consider a written exception to allow the install a smoke detector that uses 10-year non rechargeable, nonreplaceable primary batteries as long as the smoke detector is sealed, tamper-resistant and contains a means to silence the alarm

CARBON MONOXIDE DETECTORS

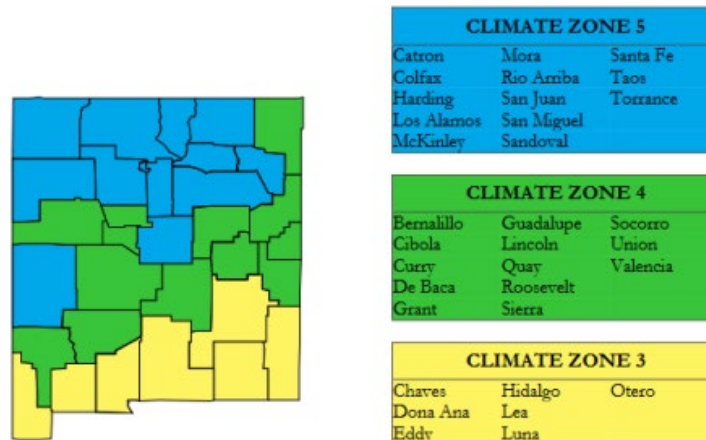
- ◆ Each unit must have carbon monoxide detectors installed, meeting the standards of the 2018 International Fire Code (IFC)
- ◆ Furthermore, HUD states all properties must have CO detectors installed in all dwelling units that meet or exceed the standards in Chapters 9, [Fire Protection and Life Safety Systems](#), and Chapter 11, [Construction Requirements for Existing Buildings](#), of the International Fire Code.

8. RESOURCE EFFICIENCY AND HEALTHY HOMES STANDARDS

Resource Efficiency should be integrated in the rehabilitation process using an approach that balances social, economic, and environmental factors. ***To the extent permissible by program guidelines budget***, rehabilitation should address:

- ◆ Energy efficiency
- ◆ Water efficiency
- ◆ Health materials [indoor environmental quality]
- ◆ Remediation of health hazards
- ◆ Waste reduction (Job site recycling & efficient use of materials)

Subrecipients are encouraged to work with the **New Mexico Energy\$mart Program** to ensure that weatherization activities are performed for each property rehabilitated. Standards vary by zone.



HIGH EFFICIENCY TOILETS.

- ◆ All toilets with a flush capacity over 1.6 gallons should be replaced if the budget permits.
- ◆ Replacement toilets should 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.

LOW FLOW FIXTURES.

- ◆ All shower heads with a flow over 2.0 gpm should be replaced, and all faucets should be modified or replaced to achieve the following flow capacities:
 - ✓ Kitchen Faucets: Install a low-flow faucet aerator to 1.5 gpm (fixed-type or flip-type.)
 - ✓ Bathroom Faucets: Install a low-flow faucet aerator to 1.0 gpm.
 - ✓ Showerheads: Install showerheads that use 2.0 gpm.

APPLIANCES.

- ◆ If replacing the following appliances, replacement units must carry Energy Star certification:
 - ✓ Dishwashers
 - ✓ Washer and Dryers
 - ✓ 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 following the Energy Star/ACCA Quality Installation Standards (www.acca.org/quality/) and to manufacturer's 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.

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 ^b	13/17	30
Zone 4	49	20 or 13+5 ^b	8/13	19
Zone 3	38	20 or 13+5 ^b	8/13	19

FLOORING.

- ◆ When replacing hard-surface 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.
- ◆ 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

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)