

(1) Provide a project reserve account for replacements, a project reserve account for unanticipated increases in operating costs, or operating subsidies; except as authorized under § 954.302; (2) Provide nonfederal matching contributions required under any other Federal program;

(3) Provide assistance in connection with programs authorized under part 950 (Indian Housing Programs) of this title;

(4) Provide assistance to eligible low-income housing under part 248 (Prepayment of Low Income Housing Mortgages) of this title; or

(5) Provide assistance (other than tenant-based rental assistance or assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by the grantee under § 954.306 or § 954.307. However, additional HOME funds may be committed to a project up to one year after project completion (see § 954.500), but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount established under § 954.400.

(b) Grantees may not charge monitoring, servicing and origination fees in HOME-assisted projects. However, grantees may charge nominal application fees (although these fees are not an eligible HOME cost) to project owners to discourage frivolous applications.

### Subpart D—Project Requirements

#### § 954.400 Maximum per-unit subsidy amount.

The amount of HOME funds that a grantee may invest on a per-unit basis in affordable housing may not exceed the total development cost standard for the area, as issued by HUD under 24 CFR 950.220. These total development cost standards are available from HUD Area ONAPs.

#### § 954.401 Property standards.

(a) Housing that is assisted with HOME funds, at a minimum, must meet the housing quality standards in § 882.109 of this title. In addition, housing that is newly constructed or sub-

stantially rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances. The grantee must have written standards for rehabilitation. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

(b) The following requirements apply to housing for homeownership that is to be rehabilitated after transfer of the ownership interest:

(1) Before the transfer of the ownership interest, the grantee must:

(i) Inspect the housing for any defects that pose a danger to health; and

(ii) Notify the prospective purchaser of the work needed to cure the defects and the time by which defects must be cured and applicable property standards met.

(2) The housing must be free from all noted health and safety defects before occupancy and not later than 6 months after the transfer for completion of the transitional housing tenancy period.

(3) The housing must meet the applicable property standards (at a minimum, the housing quality standards in § 882.109 of this title) not later than 2 years after transfer of the ownership interest.

#### § 954.402 Tenant and participant protections.

(a) *Lease.* The lease between a tenant and an owner of rental housing assisted with HOME funds must be for not less than one year, unless by mutual agreement between the tenant and the owner.

(b) *Prohibited lease terms.* The lease may not contain any of the following provisions:

(1) *Agreement to be sued.* Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease;

(2) *Treatment of property.* Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition,