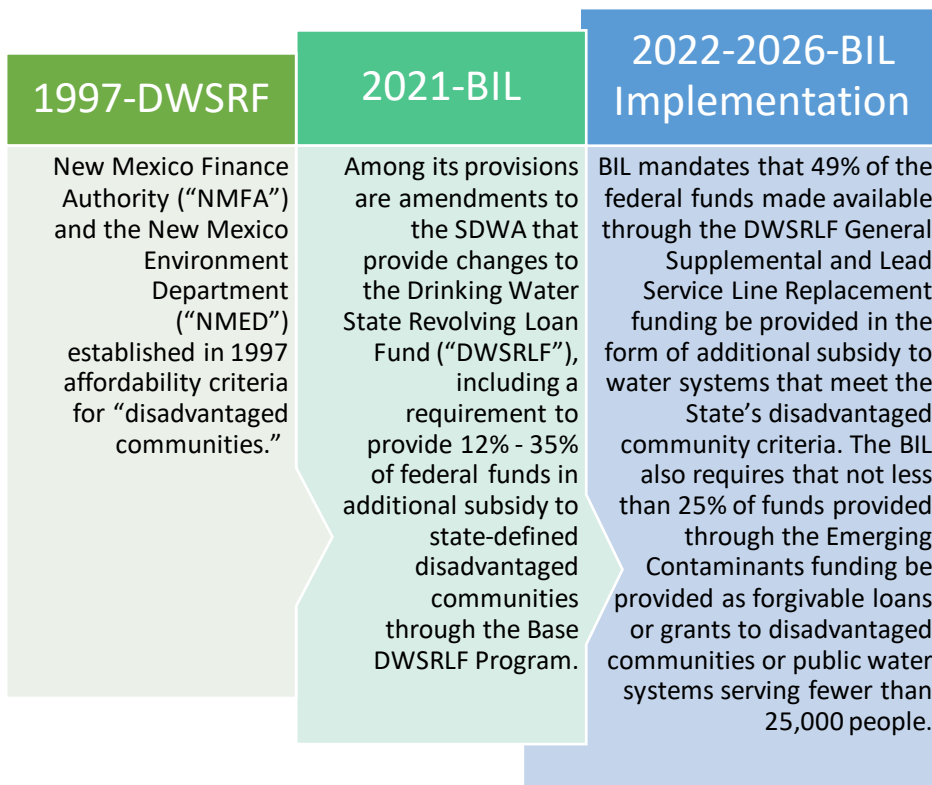


Disadvantaged Community Assistance (40CFR§ 35.3555.c(7))

NMFA and DWB are directed by the DWSRLF Act (Laws of 1997, Chapter 144) to establish procedures to identify affordability criteria for disadvantaged communities and to extend a program to assist those communities. The programs offered to New Mexico PWSs are designed to maximize the eligibility of disadvantaged communities. By policy, NMFA provides two levels of disadvantaged status; Disadvantaged and Severely Disadvantaged. The below information describes the benefits offered to each community:

- **Disadvantaged Communities** benefit from 0% interest rate of their loan portion, and subsidy in the form of principal forgiveness up to 50% of the loan when provided for in Capitalization Grants (see [Subsidy](#) below) for construction projects.
- **Severely Disadvantaged Communities** benefit from 0% interest rate of their loans, and subsidy in the form of principal forgiveness up to 75% of the loan when provided for in Capitalization Grants (see [Subsidy](#) below) for construction projects.



The state uses the affordability criteria to determine access to enhanced loan terms and technical assistance as outlined in the annual Intended Use Plan ("IUP") published by the state.

NMFA continues to provide by policy two levels of disadvantaged entity status: Disadvantaged and Severely Disadvantaged. The affordability criteria used to determine disadvantaged entity status considers a community's Median Household Income (MHI) in comparison to the most recent National 5-year average. The National 5-year average can be found at <https://data.census.gov> and searching for the **table DP103**. This table provide American Community Survey results for 1-year and 5-year estimates of the data profiles.

Median Household Income (MHI)

- Disadvantaged Entities – to be considered a Disadvantaged entity, the applicant’s Median Household Income must be greater than 75% but less than 100% of the **National Median Household Income**, based on the most recent 5-year average of Median Household Income from census data or through a survey acceptable to NMFA.
- Severely Disadvantaged - to be considered a Severely Disadvantaged entity, the applicant’s Median Household Income must be 75% or less of the **National Median Household Income**, based on the most recent 5-year average of Median Household Income from census data or through a survey acceptable to NMFA.
- Disadvantaged Entities – receive an interest rate of 0% on the entire loan portion. When provided for in Capitalization Grants, subsidy in the form of principal forgiveness up to 50% of the loan.
- Severely Disadvantaged Entities – receive an interest rate of 0% on the entire loan portion. When provided for in Capitalization Grants, subsidy in the form of principal forgiveness up to 75% of the loan.

Subsidy

The NMFA provides subsidies to DWSRLF borrowers as part of the EPA’s Capitalization Grants (base program and BIL supplemental), and as provided for under SWDA (section 1452 (d)). The FFY 2023 Capitalization Grant requires 14% of the funds available as additional subsidy assistance for projects on the fundable list, and at the state’s discretion, for green infrastructure projects.

The SDWA (Section 1452(d)) requires not less than 12% and up to 35% of the Capitalization Grant to be used to subsidize Disadvantaged Projects as described in section b. New Mexico opts to allocate the maximum of both pools of subsidy, totaling 49% of the FFY 2023 Capitalization Grant. The total amount of available subsidy is \$2,419,620 from the FFY 2023 Capitalization Grant and \$10,316,950 of the FFY 2023 BIL Capitalization Grant. The LSLR program has a 49% subsidy requirement totaling an amount up to \$14,038,500. The EC program is expected to be 100% subsidy in the amount of \$7,640,000 in SFY 24. Available subsidy will be distributed in the ranking order on the Fundable Priority List, subject to the bypass procedure.

Subsidy that is not awarded, will roll over to the next fundable priority lists. Subsidy is based on available amounts, and applicants are not guaranteed subsidy as part of the loan package. An applicant ranked below the available subsidy amounts, or not identified as Disadvantaged or Severely Disadvantaged, may not receive subsidy. Subsidy will be available to new entities on the current Fundable List if an applicant returns unutilized subsidy at the end of the construction period or fails to close on the loan.

Current DWSRLF Loan Management Policies can be viewed online at <https://www.nmfinance.com/wp-content/uploads/2022/08/DWSRLF-Loan-Management-Policies-Amended-7.28.22.pdf> and define additional subsidy as principal forgiveness which is the amount of principal that does not require repayment using the following guidelines when funds are available. Minor changes will be proposed to these policies to accommodate the new Emerging Contaminants and Lead Service Line Replacement programs.

Subsidy policy

1. NMFA will provide the capitalization grant and the disadvantaged subsidy following the same policies. The subsidy will go by the Priority ranking on the Fundable List, and by eligible Disadvantaged status. Applicants will receive subsidy, when available, through the following policies:

1. Compliance with federal statute and capitalization grant requirements (see L. Compliance with Special Grant Conditions for more details) will be offered a 25% subsidy.