

## TABLE OF CONTENTS

---

<b>CHAPTER 1: INTRODUCTION.....</b>	<b>1-1</b>
<b>SECTION 1: INTRODUCTION TO THE PROJECT SERVICING HANDBOOK.....1-1</b>	
1.1 ABOUT THIS HANDBOOK .....	1-1
1.2 COMPANION MULTI-FAMILY HOUSING HANDBOOKS.....	1-1
1.3 USING THIS HANDBOOK.....	1-2
A. Citations and Text Boxes .....	1-2
B. Attachments and Appendices .....	1-2
C. Terminology .....	1-2
<b>SECTION 2: OVERVIEW OF THE AGENCY'S MULTI-FAMILY HOUSING PROGRAMS.....1-5</b>	
1.4 GOALS OF RHS MULTI-FAMILY HOUSING PROGRAMS.....	1-5
1.5 SECTION 515 PROGRAM—OVERVIEW .....	1-5
1.6 SECTION 514/516 PROGRAMS—OVERVIEW.....	1-5
A. Section 514 Loans and Section 516 Grants for Off-Farm Housing.....	1-6
B. Section 514 Loans for On-Farm Housing.....	1-6
<b>SECTION 3: GENERAL PROGRAM REQUIREMENTS .....1-7</b>	
1.7 CIVIL RIGHTS [ <i>7 CFR 3560.2</i> ] .....	1-7
A. Nondiscrimination.....	1-8
B. Reasonable Accommodations for Persons with Disabilities .....	1-8
C. Limited English Proficiency [ <i>7 CFR 3560.2</i> ] .....	1-8
D. Civil Rights Impact Analysis .....	1-8
1.8 REVIEWS AND APPEALS [ <i>7 CFR 3560.9</i> ].....	1-9
A. Informing Program Participants of Their Rights.....	1-9
B. Adverse Decisions That Cannot BeAppealed.....	1-9
C. Informal Review.....	1-10
D. Mediation or ADR.....	1-10
E. Appeal.....	1-13
1.9 CONFLICT OF INTEREST [ <i>7 CFR 3560.10</i> ].....	1-13
A. Borrower Disclosure .....	1-14
B. Agency Employee Disclosure .....	1-14
C. Disposition of Real Estate Owned Properties.....	1-14
1.10 OTHER FEDERAL REQUIREMENTS .....	1-15
A. Environmental Requirements [ <i>7 CFR 3560.3 and 3560.4</i> ].....	1-15
B. Construction Standards.....	1-15
C. Lobby Restrictions .....	1-15
D. Administrative Requirements.....	1-15

1.11 EXCEPTION AUTHORITY [7 CFR 3560.8].....	1-16
ATTACHMENT 1-A: EQUAL CREDIT OPPORTUNITY ACT (ECOA)	
ATTACHMENT 1-B: ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF AN ADVERSE DECISION THAT IS APPEALABLE	
ATTACHMENT 1-C: ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF AN ADVERSE DECISION THAT CANNOT BE APPEALED	
ATTACHMENT 1-D: ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF UNFAVORABLE DECISION REACHED AS A RESULT OF AN INFORMAL REVIEW	
ATTACHMENT 1-E: ATTACHMENT FOR NOTIFYING CUSTOMERS THAT REQUEST MEDIATION IN STATES WITH A USDA-SPONSORED MEDIATION PROGRAM	
ATTACHMENT 1-F: ATTACHMENT FOR REQUESTING MEDIATION OR ALTERNATIVE DISPUTE RESOLUTION (ADR) SERVICES	
ATTACHMENT 1-G: ATTACHMENT FOR NOTIFYING CUSTOMERS THAT REQUEST MEDIATION OR ALTERNATIVE DISPUTE RESOLUTION (ADR) OF SERVICE PROVIDER	
ATTACHMENT 1-H: ATTACHMENT FOR NOTIFYING CUSTOMERS THAT REQUEST MEDIATION OR ALTERNATIVE DISPUTE RESOLUTION (ADR) OF POTENTIAL SERVICE PROVIDERS	
ATTACHMENT 1-I: ATTACHMENT FOR NOTIFYING CUSTOMERS THAT MEDIATION OR ALTERNATIVE DISPUTE RESOLUTION (ADR) DID NOT RESULT IN RESOLUTION OF ISSUES	

## **CHAPTER 2: MULTI-FAMILY HOUSING PROGRAMS AND LOAN SERVICING .. 2-1**

2.1 INTRODUCTION.....	2-1
<b>SECTION 1: SECTION 515 PROGRAM.....</b>	<b>2-1</b>
2.2 OVERVIEW .....	2-1
2.3 TYPES OF PROJECTS .....	2-1
A. Family Projects.....	2-2
B. Elderly Projects .....	2-2
C. Congregate Projects.....	2-2
D. Group Homes .....	2-2
E. Rural Cooperative Housing .....	2-2
F. Mixed Projects .....	2-3
2.4 TYPES OF LOANS .....	2-3
A. Initial Loans .....	2-3
B. Subsequent Loans.....	2-4
C. Assumed Loans .....	2-4
2.5 AGENCY RENTAL ASSISTANCE .....	2-4
2.6 PREFERENCE FOR PROJECTS THAT LEVERAGE OTHER FUNDS .....	2-5
<b>SECTION 2: SECTION 514/516 PROGRAM.....</b>	<b>2-7</b>
2.7 TYPES OF PROJECTS .....	2-7
A. Off-Farm Labor Housing .....	2-7

---

B. On-Farm Labor Housing .....	2-7
2.8 LOANS AND GRANTS .....	2-7
A. Farm Labor Housing Loans.....	2-7
B. Farm Labor Housing Grants .....	2-8
2.9 RENTAL ASSISTANCE.....	2-8
2.10 PREFERENCE FOR PROJECTS THAT LEVERAGE OTHER FUNDS .....	2-8
<b>SECTION 3: OVERVIEW OF MULTI-FAMILY PROJECT SERVICING.....</b>	<b>2-9</b>
2.11 KEY PROJECT SERVICING ACTIVITIES AND THIS HANDBOOK.....	2-9
2.12 PROJECT SERVICING PROCEDURES FOR MULTI-FAMILY HOUSING PROJECTS .....	2-9
A. Automated Systems (Chapter 3).....	2-9
B. Account Servicing (Chapter 4).....	2-10
C. Ownership and Organizational Changes (Chapter 5) .....	2-10
D. Determination of Project Suitability (Chapter 6).....	2-10
E. Transfers of Project Ownership (Chapter 7).....	2-10
F. Security Restructuring Requests (Chapter 8) .....	2-10
G. Unauthorized Assistance (Chapter 9) .....	2-10
H. Compliance Violations, Defaults, and Workout Agreements (Chapter 10).....	2-11
I. Loan Restructuring (Chapter 11).....	2-11
J. Account Foreclosure and Liquidation (Chapter 12) .....	2-11
K. Other Special Cases (Chapter 13).....	2-11
L. Management and Disposal of Real Estate Owned Property (Chapter 14) .....	2-11
M. Project Preservation (Chapter 15).....	2-11
<b>CHAPTER 3: AUTOMATED SYSTEMS.....</b>	<b>3-1</b>
3.1 INTRODUCTION.....	3-1
3.2 MANAGEMENT INTERACTIVE NETWORK CONNECTION .....	3-1
A. Background .....	3-1
B. Purpose and Capabilities .....	3-2
C. Staff Responsibilities.....	3-2
D. Benefits of MINC.....	3-3
E. Staff Training and Certification Requirements.....	3-4
3.3 AUTOMATED MULTI-FAMILY HOUSING ACCOUNTING SYSTEM.....	3-4
A. Purpose and Capabilities .....	3-4
B. Staff Responsibilities.....	3-4
C. Staff Training and Certification Requirements.....	3-5
3.4 MULTI-FAMILY INFORMATION SYSTEM.....	3-7
A. Purpose and Capabilities .....	3-7
B. Major Components of MFIS .....	3-8
C. Staff Responsibilities.....	3-9
3.5 PREPAYMENT TRACKING AND CONCURRENCE .....	3-9
3.6 FURTHER INFORMATION.....	3-10

<b>CHAPTER 4: ACCOUNT SERVICING.....</b>	<b>4-1</b>
4.1 INTRODUCTION.....	4-1
4.2 OVERVIEW .....	4-1
<b>SECTION 1: ACCOUNT SERVICING REQUIREMENTS</b>	
<i>[7 CFR 3560.403 AND 7 CFR 3560.404].....</i>	<b>4-1</b>
4.3 LOAN PAYMENTS .....	4-1
4.4 LATE FEES (PASS ACCOUNTS ONLY).....	4-2
4.5 LATE FEE WAIVERS .....	4-2
4.6 PAST DUE ACCOUNTS .....	4-2
A. Past Due Payments .....	4-2
B. Interest on Past Due Payments (PASS Accounts Only) .....	4-3
C. Special Servicing Action .....	4-3
4.7 CONVERSION FROM DIAS TO PASS.....	4-3
4.8 FINAL LOAN PAYMENTS .....	4-3
<b>SECTION 2: PROCESSING TENANT CERTIFICATIONS.....</b>	<b>4-5</b>
4.9 OVERVIEW .....	4-5
4.10 REQUIREMENTS OF THE RULE.....	4-5
4.11 GENERAL PROCEDURES .....	4-5
A. Timely Submission and Overage Charges for Late Submissions.....	4-5
B. Waivers of Overage.....	4-5
C. Verification and Processing of Certifications.....	4-6
D. Approval of Subsidy .....	4-6
<b>SECTION 3: LOAN PAYMENT PROCESSING .....</b>	<b>4-7</b>
4.12 OVERVIEW .....	4-7
4.13 NOTIFICATION TO BORROWERS OF PAYMENTS DUE .....	4-7
A. Factors Used to Determine Payment Amount.....	4-7
B. Calculating Payment Amount.....	4-7
C. Borrower Verification Of Payment Data.....	4-8
4.14 PAYMENT DUE DATES .....	4-8
4.15 PROCEDURES FOR PROCESSING PAYMENTS .....	4-9
A. Overview .....	4-9
B. Borrower Submission .....	4-10
C. Application of Payments .....	4-12
4.16 ASSESSMENT OF LATE FEES.....	4-13
A. Agency Approval of Waivers Procedures for Granting Late Fee Waivers .....	4-13
B. Required Submissions from Borrower to Receive a Waiver .....	4-14
C. Notification upon Granting A Waiver .....	4-14
D. Denying Waivers.....	4-14

4.17 SPECIAL CIRCUMSTANCES .....	4-14
A. Reapplication of Payments.....	4-14
B. Overpayments and Refunds.....	4-14
C. Recoverable and Nonrecoverable Cost Items.....	4-15
<b>SECTION 4: ACCOUNT TRACKING AND SERVICING.....</b>	<b>4-15</b>
4.18 OVERVIEW .....	4-15
4.19 ACCOUNT TRACKING PROCEDURES .....	4-15
A. Conditions for Conversion from DIAS to PASS.....	4-15
B. Procedures for Conversion from DIAS to PASS.....	4-15
C. Account Reviews.....	4-16
4.20 SERVICING ACCOUNTS THAT ARE 30 DAYS PAST DUE.....	4-16
4.21 SPECIAL CIRCUMSTANCES .....	4-16
A. Same Terms Transfers.....	4-16
B. Overpayments and Advance Regular Payments.....	4-16
<b>SECTION 5: FINAL LOAN PAYMENT [7 CFR 3560.404] .....</b>	<b>4-17</b>
4.22 OVERVIEW .....	4-17
4.23 PROCESSING FINAL LOAN PAYMENTS .....	4-17
A. Payment Amount Determined .....	4-17
B. Funds Shifted from Supervised Bank Account.....	4-17
C. Forms Processed.....	4-18
D. Payments Applied.....	4-18
E. Security Documents Released .....	4-18
F. Release of Interest in Insurance.....	4-18
G. Special Circumstances.....	4-19
H. State Supplements .....	4-19
I. Redelegation of Authority .....	4-19
<b>CHAPTER 5: OWNERSHIP AND ORGANIZATION CHANGES [7 CFR 3560.405] ....</b>	<b>5-1</b>
5.1 INTRODUCTION.....	5-1
5.2 OVERVIEW OF CHANGES REQUIRING PRIOR AGENCY CONSENT .....	5-1
5.3 REQUIREMENTS FOR OBTAINING AGENCY CONSENT .....	5-1
A. Overview .....	5-1
B. Written Request.....	5-2
C. Assumption of All Applicable Responsibilities by New Interests.....	5-3
D. Assumption of Liability by Substitute General Partner.....	5-3
E. Satisfaction of Eligibility Requirements.....	5-3
5.4 BORROWER REQUESTS FOR CONSENT .....	5-3
5.5 AGENCY REVIEW OF BORROWER REQUESTS .....	5-3
A. Overview .....	5-3
B. Loan Servicer and State Director Actions .....	5-4

5.6 DOCUMENTATION OF CHANGES .....	5-4
<b>CHAPTER 6: PORTFOLIO ASSESSMENT AND PROJECT ASSESSMENT .....</b>	<b>6-1</b>
6.1 INTRODUCTION.....	6-1
6.2 KEY STEPS TO COMPLETING PORTFOLIO ASSESSMENT.....	6-1
A. Evaluation Tools and Asset Data Collection.....	6-2
B. Property and Marketing Factors.....	6-4
C. Categorize the State's Properties.....	6-12
D. Servicing Strategies.....	6-13
6.3 IMPLEMENTATION PLAN TO REMOVE PROPERTY FROM PROGRAM .....	6-14
ATTACHMENT 6-1 Property Categorization Worksheet	
<b>CHAPTER 7: TRANSFERS OF PROJECT OWNERSHIP [7 CFR 3560.406] .....</b>	<b>7-1</b>
7.1 INTRODUCTION.....	7-1
<b>SECTION 1: OVERVIEW.....</b>	<b>7-2</b>
7.2 RURAL DEVELOPMENT'S OBJECTIVES AND GUIDING PRINCIPLES.....	7-2
A. Objectives.....	7-2
B. Guiding Principles.....	7-2
7.3 KEY ANALYTICAL CONCEPTS.....	7-3

A. Eligibility .....	7-3
B. Feasibility.....	7-3
C. Improve or Maintain Risk Levels.....	7-3
<b>7.4 DEFINITIONS.....</b>	<b>7-4</b>
A. Transfer.....	7-4
B. Non-Program Transfers [7 CFR 3560.406(l)].....	7-4
C. Related Definitions.....	7-5
<b>7.5 CONDITIONS WHEN A TRANSFER MAY OCCUR AND TYPES OF TRANSFERS .....</b>	<b>7-5</b>
A. Conditions When a Transfer May Occur.....	7-5
B. Types of Transfers.....	7-6
C. Level of Complexity.....	7-7
D. Deceased Borrower.....	7-7
<b>7.6 PROCESSING A TRANSFER REQUEST .....</b>	<b>7-9</b>
A. Key Steps.....	7-9
B. Guidelines for Rural Development Processing of Transfer Requests.....	7-9
C. Procedure for Incomplete Transfer Requests.....	7-10
D. Denial of Transfer Request.....	7-10
E. Payments Received while Transfer Pending.....	7-11
F. Uncompleted Transfer.....	7-11
<b>SECTION 2: POLICY CONSIDERATIONS.....</b>	<b>7-12</b>
<b>7.7 RENTS .....</b>	<b>7-12</b>
A. Budget/Reasonable Rents [7 CFR 3560.406(d)(2)].....	7-12
B. Conventional Rents for Comparable Units ("CRCU") Limitation [7 CFR 3560.406(d)(2)].....	7-13
C. Increased Basic Rents Because of New Debt Service.....	7-14
<b>7.8 SALES PRICE .....</b>	<b>7-14</b>
A. Limitations on Sales Price.....	7-14
B. Equity Pay-Out (General).....	7-15
C. Equity Pay-Out During the Term of an Existing RUP .....	7-17
D. Non-Equity Compensation.....	7-16
<b>7.9 RETURN TO OWNER (RTO) .....</b>	<b>7-18</b>
A. RTO in General.....	7-18
B. Increased RTO Because of Low Income Housing Tax Credits (LIHTC) Equity [7 CFR 3560.68] (Paragraph 5.12 of HB-1-3560).....	7-18
<b>7.10 FEES TO DEVELOPER/BUILDER.....</b>	<b>7-20</b>

A. Developer/Builder Fees in General.....	7-20
B. Deferred Developer Fee.....	7-21
<b>7.11 LOW INCOME HOUSING TAX CREDITS (LIHTCs).....</b>	<b>7-21</b>
A. Relationship between Basic Rents and LIHTC Rents (General).....	7-21
B. Financial Viability When Basic Rents Exceed Maximum LIHTC Rents.....	7-22
C. "Tax Credit Tiered Rents" in LIHTC Transactions [7 CFR 3560.202(g)].....	7-22
<b>7.12 OTHER POLICY CONSIDERATIONS.....</b>	<b>7-23</b>
A. Principal and Interest during Construction.....	7-23
B. Transactions with Multiple Sources of Funds.....	7-23
<b>SECTION 3: PRELIMINARY ASSESSMENT (STEP 1).....</b>	<b>7-25</b>
<b>7.13 PRE-REQUEST CONSULTATION WITH BORROWER AND TRANSFEREE .....</b>	<b>7-25</b>
<b>7.14 INITIAL RURAL DEVELOPMENT REVIEW FOR COMPLETENESS.....</b>	<b>7-26</b>
<b>7.15 CONSULT WITH MPDL REGARDING UNUSUAL TRANSACTIONS .....</b>	<b>7-26</b>
<b>SECTION 4: EVALUATING THE TRANSFEREE (STEP 2).....</b>	<b>7-26</b>
<b>7.16 DETERMINE TRANSFEREE ELIGIBILITY.....</b>	<b>7-27</b>
A. Citizenship Requirements.....	7-27
B. Organizational Requirements.....	7-27
C. Legal Capability.....	7-27
D. Requirements for Existing Borrowers.....	7-28
E. Identity-of-Interest.....	7-28
F. Insurance.....	7-29
G. Site Control.....	7-29
H. Revitalization Principle #2: Eligible Owner.....	7-29
<b>7.17 FINANCIAL REQUIREMENTS.....</b>	<b>7-29</b>
<b>7.18 MANAGEMENT CAPACITY .....</b>	<b>7-30</b>
<b>SECTION 5: EVALUATING THE PROJECT (STEP 3)</b> [7 CFR 3560.406 (c) and (d)].....	<b>7-31</b>
<b>7.19 DETERMINE PROJECT SUITABILITY.....</b>	<b>7-31</b>
<b>7.20 DETERMINE PROJECT ELIGIBILITY.....</b>	<b>7-31</b>
A. Civil Rights Impact Analysis.....	7-31
B. State Historic Preservation Office.....	7-31
C. Flood Hazard Determination.....	7-32
D. Design Review.....	7-32
E. Prohibited Conditions.....	7-32
F. Other Project Eligibility Requirements.....	7-32
<b>7.21 CIVIL RIGHTS AND DISABILITY COMPLIANCE .....</b>	<b>7-32</b>
<b>7.22 PHYSICAL INSPECTION .....</b>	<b>7-33</b>
A. CNA Requirements.....	7-33
B. State Office Review of CNA.....	7-34
C. Finalize Detailed Repair and Rehabilitation Plans and Costs [7 CFR 3560.406(d)(7)] .....	7-34

D. Required Repairs and the Repair Agreement .....	7-35
E. Environmental Review [ <i>7 CFR 3560.406 (d)(4)</i> ].....	7-36
F. Advance Rural Development Approval Required for Third Party Funded Repairs.....	7-37
G. Reserve Must Be Adequate to Meet 20-Year Capital Needs Based on CNA.....	7-37
<b>SECTION 6: EVALUATING FEASIBILITY (STEP 4).....</b>	<b>7-37</b>
7.23 EVALUATE FEASIBILITY.....	7-37
A. Analytical Template.....	7-37
B. Compliance Issues.....	7-37
C. Repair Related Issues.....	7-37
D. Third Party Funding Issues.....	7-38
E. Tenant Impact.....	7-38
F. Rents and the Proposed Operating Budget.....	7-38
G. Sales Price/Equity Pay-Out.....	7-39
H. Rural Development Loans.....	7-39
I. Other Feasibility Issues.....	7-40
<b>SECTION 7: EVALUATING RURAL DEVELOPMENT LOANS AND OVERALL RISK (STEP 5).....</b>	<b>7-40</b>
7.24 EXISTING RURAL DEVELOPMENT LOANS.....	7-40
A. New Terms or Same Terms? ( <i>7 CFR 3560.406(j)</i> ).....	7-40
B. Existing Loans/New Terms: Amortization Period and Loan Term.....	7-40
C. Existing Loans/New Terms: Interest Rate.....	7-41
D. Closing Out an Existing Loan That Will Not be Assumed in Full.....	7-41
7.25 SUBSEQUENT RURAL DEVELOPMENT LOANS [ <i>7 CFR 3560.406 (h) and (i)</i> ].....	7-42
7.26 VERIFY THERE IS ADEQUATE SECURITY VALUE [ <i>7 CFR 3560.406 (d)(3)</i> ].....	7-42
7.27 ASSESS THE OVERALL RISK AND THE IMPACT ON RURAL DEVELOPMENT AND TENANTS.....	7-42
A. Is the Potential for Financial Loss to Rural Development Better or No Worse Than With the Existing Borrower?.....	7-43
B. Will Any Financial Impact on Current and Future Tenants be Reasonable?.....	7-43
C. Will Housing Conditions be Better or No Worse Than under the Current Borrower?.....	7-44
7.28 COMPLETE AND VERIFY APPLICABLE FORMS.....	7-45
7.29 OBTAIN MPDL CONCURRENCE.....	7-45
A. Equity Pay-Out to Seller.....	7-46
B. Increased Debt Service Built into the Basic Rents.....	7-46
C. Increased Return to Owner.....	7-47
D. Section 515 Loan Modified.....	7-47
E. Basic Rents Increase More Than \$25 Per Month, and There Are Unassisted Tenants.....	7-47
F. Non-Equity Compensation.....	7-47
G. Exceptions to Regulations.....	7-47

H. Transfers Not Meeting Viability Criteria ("Transfers With Workout").....	7-48
I. Transfers That Have Applied For, Or Are Currently Participating In, the Multifamily Portfolio Revitalization (MPR) Program.....	7-48
<b>SECTION 8: MAKING THE DECISION (STEP 6).....</b>	<b>7-48</b>
7.30 OVERVIEW [7 CFR 3560.406(k)].....	7-48
7.31 MAKING THE DECISION .....	7-49
A. Determine Current Loan Balances for Transfer .....	7-49
B. Prepare the Closing Package .....	7-50
C. Review Applicable Requirements with the Transferee .....	7-51
D. Determine New Restrictive Use Period Requirement.....	7-51
E. Prepare the Draft Letter of Conditions.....	7-51
F. Prepare to Close the Transfer and Obligate the Subsequent Loan, if Applicable.....	7-51
G. OGC Review.....	7-52
H. Approve the Transfer.....	7-52
<b>SECTION 9: IMPLEMENTING THE TRANSFER (STEP 7).....</b>	<b>7-53</b>
7.32 CLOSING THE TRANSFER .....	7-53
A. Overview .....	7-53
B. Release the Seller from Liability.....	7-53
C. Assign Leases to Transferee.....	7-54
D. Assign Rental Assistance Agreement to Transferee.....	7-54
E. Assign Other Agreements to Transferee.....	7-54
F. Shift Accounts, Funds, and Assets to Transferee (General).....	7-54
7.33 POST-CLOSING .....	7-54
A. Inform Borrower of Administrative Responsibilities .....	7-54
B. Schedule a Follow-up Servicing Visit .....	7-55
C. Monitoring Rehabilitation Work .....	7-55
ATTACHMENT 7-A: REVITALIZATION GUIDANCE	
ATTACHMENT 7-B-1: TRANSFER APPLICATION DOCUMENTS	
ATTACHMENT 7-B-2: MFH TRANSFER & ASSUMPTION APPLICATION SUPPLEMENT	
ATTACHMENT 7-B-3: MFH TRANSFER & ASSUMPTION CONTACT LIST	
ATTACHMENT 7-B-4: MFH TRANSFER & ASSUMPTION FINANCIAL STATEMENT CERTIFICATION	
ATTACHMENT 7-B-5: MFH TRANSFER & ASSUMPTION CERTIFICATION FOR CONTRACTS	
ATTACHMENT 7-C: TAX CREDIT TIERED RENTS IN LIHTC TRANSACTIONS	
ATTACHMENT 7-D: TRANSFER REQUEST CHECKLIST	
<b>CHAPTER 8: SECURITY RESTRUCTURING REQUESTS.....</b>	<b>8-1</b>
8.1 INTRODUCTION.....	8-1
<b>SECTION 1: SUBORDINATIONS AND JUNIOR LIENS [7 CFR 3560.409] .....</b>	<b>8-1</b>
8.2 OVERVIEW .....	8-1
8.3 REQUIRED CONDITIONS .....	8-1
8.4 EVALUATING BORROWER REQUESTS FOR SUBORDINATIONS AND JUNIOR LIENS .....	8-2

8.5 PROCEDURES FOR AUTHORIZATION OF SUBORDINATIONS AND JUNIOR LIENS.....	8-4
A. Borrower Requests .....	8-4
B. Processing Borrower Requests .....	8-4
C. Recommendations to State Director.....	8-5
D. Final Decision .....	8-5
E. Appraisal Procedures.....	8-5
8.6 POST-APPROVAL OF JUNIOR LIENS .....	8-5
<b>SECTION 2: PARTIAL DISPOSITION OF SECURITY PROPERTY [7 CFR 3560.407] .....</b>	<b>8-7</b>
8.7 OVERVIEW .....	8-7
8.8 ALLOWABLE ACTIONS INVOLVING THE PARTIAL DISPOSITION OF SECURITY PROPERTY .....	8-7
8.9 ALLOWABLE USES FOR PROCEEDS FROM PARTIAL DISPOSITION OF SECURITY PROPERTY .....	8-8
8.10 REQUIRED CONDITIONS FOR AGENCY CONSENT .....	8-8
8.11 PROCESSING BORROWER REQUESTS .....	8-8
A. Borrower Submission.....	8-9
B. Agency Review .....	8-9
C. Agency Decision and Notice to Borrower.....	8-10
8.12 AGENCY RELEASE OF SECURITY .....	8-10
<b>SECTION 3: LEASING OF SECURITY PROPERTY [7 CFR 3560.408] .....</b>	<b>8-11</b>
8.13 OVERVIEW .....	8-11
8.14 LEASES TO PUBLIC HOUSING AUTHORITIES.....	8-11
8.15 LEASE OF A PORTION OF THE SECURITY PROPERTY.....	8-11
8.16 MINERAL LEASES .....	8-11
<b>SECTION 4: OTHER LIENS AGAINST A PROPERTY OR OTHER ASSETS [7 CFR 3560.409 (d)].....</b>	<b>8-13</b>
8.17 OVERVIEW .....	8-13
8.18 REQUIRED CONDITIONS .....	8-13
8.19 AGENCY PROCEDURES .....	8-13
<b>CHAPTER 9: UNAUTHORIZED ASSISTANCE .....</b>	<b>9-1</b>
9.1 INTRODUCTION.....	9-1

<b>SECTION 1: TYPES OF UNAUTHORIZED ASSISTANCE .....</b>	<b>9-1</b>
9.2 OVERVIEW .....	9-1
9.3 ADDRESSING UNAUTHORIZED ASSISTANCE .....	9-1
<b>SECTION 2: IDENTIFYING UNAUTHORIZED ASSISTANCE [7 CFR 3560.703] .....</b>	<b>9-3</b>
9.4 OVERVIEW .....	9-3
9.5 REQUIREMENTS FOR IDENTIFYING UNAUTHORIZED ASSISTANCE.....	9-3
9.6 METHODS OF IDENTIFYING UNAUTHORIZED ASSISTANCE.....	9-3
9.7 DOCUMENTATION OF UNAUTHORIZED ASSISTANCE .....	9-4
9.8 NOTICE TO RECIPIENT .....	9-4
A. Agency Notice to Borrower .....	9-4
B. Borrower Notice to Tenant.....	9-5
<b>SECTION 3: CORRECTING UNAUTHORIZED ASSISTANCE .....</b>	<b>9-7</b>
9.9 OVERVIEW .....	9-7
9.10 ACCOUNT ADJUSTMENTS – AUDIT CASES .....	9-7
A. Unauthorized Loan .....	9-7
B. Unauthorized Subsidy Benefits Received Through Use of Incorrect Interest Rate .....	9-7
C. Unauthorized Interest Credit or Rental Assistance.....	9-8
D. Unauthorized Grant Assistance .....	9-8
E. Cases Where Recipient Has Both Authorized and Unauthorized Loans Outstanding.....	9-9
F. Liquidation Pending .....	9-9
G. Liquidation Not Initiated .....	9-9
9.11 ACCOUNT ADJUSTMENTS – NONAUDIT CASES .....	9-9
<b>SECTION 4: RECAPTURE OF UNAUTHORIZED ASSISTANCE TO BORROWERS.....</b>	<b>9-11</b>
9.12 OVERVIEW .....	9-11
9.13 REQUIREMENTS FOR COLLECTING UNAUTHORIZED ASSISTANCE [7 CFR 3560.705] .....	9-11
9.14 AGENCY RECAPTURE OF UNAUTHORIZED ASSISTANCE.....	9-12
A. Overview .....	9-12
B. Procedures for Collection of Unauthorized Assistance .....	9-13
9.15 REPAYMENT METHODS .....	9-17
9.16 FULL PREPAYMENT .....	9-17
<b>SECTION 5: RECAPTURE OF UNAUTHORIZED ASSISTANCE TO TENANTS .....</b>	<b>9-18</b>
9.17 OVERVIEW .....	9-18
9.18 REQUIREMENTS FOR COLLECTION OF UNAUTHORIZED ASSISTANCE TO TENANTS [7 CFR 3560.708] .....	9-18
9.19 PROCEDURES FOR COLLECTION OF UNAUTHORIZED ASSISTANCE TO TENANTS .....	9-18
<b>SECTION 6: REFERRAL OF DEBT TO THE UNITED STATES DEPARTMENT OF TREASURY (TREASURY) .....</b>	<b>9-21</b>
9.20 GENERAL TREASURY REFERRAL REQUIREMENTS .....	9-21
9.21 GENERAL TREASURY REFERRAL PROCESS.....	9-21

<b>SECTION 7: CONTINUATION OF LOAN ACCOUNTS.....</b>	<b>9-23</b>
9.22 OVERVIEW .....	9-23
9.23 REQUIREMENTS FOR CONTINUATION OF LOAN ACCOUNTS [7 CFR 3560.707] .....	9-23
9.24 AGENCY DECISION TO CONTINUE SERVICING ACCOUNT.....	9-23
9.25 SERVICING OPTIONS IN LIEU OF LIQUIDATION OR LEGAL ACTION TO COLLECT .....	9-23
A. Agency Actions.....	9-24
B. Notice of Determination When Agreement is Not Reached.....	9-24
C. Reporting to OIG.....	9-24
D. Quarterly Reporting to the State Office .....	9-25
<b>SECTION 8: ENFORCEMENT .....</b>	<b>9-27</b>
9.26 OVERVIEW .....	9-27
9.27 AGENCY ACTIONS FOR ENFORCEMENT AGAINST RECIPIENTS OF UNAUTHORIZED ASSISTANCE .....	9-27
A. Liquidation .....	9-27
B. Legal Action to Enforce Collection.....	9-27
C. Double Damages .....	9-28
D. Equity Skimming .....	9-29
E. Civil Monetary Penalties .....	9-29
F. Money Laundering.....	9-31
G. Obstruction of Federal Audits .....	9-31
<b>CHAPTER 10: COMPLIANCE VIOLATIONS, DEFAULTS, AND WORK-OUT AGREEMENTS [7 CFR 3560.453] .....</b>	<b>10-1</b>
10.1 INTRODUCTION.....	10-1
10.2 ADDRESSING COMPLIANCE VIOLATIONS AND DEFAULTS.....	10-1
<b>SECTION 1: TYPES OF DEFAULTS [7 CFR 3560.452].....</b>	<b>10-3</b>
10.3 OVERVIEW .....	10-3
10.4 MONETARY DEFAULT .....	10-3
10.5 NONMONETARY DEFAULT .....	10-3
<b>SECTION 2: CONDITIONS OF CONCERN, COMPLIANCE VIOLATIONS, AND DEFAULTS.....</b>	<b>10-5</b>
10.6 AGENCY CLASSIFICATION SYSTEM .....	10-5
10.7 FINDINGS .....	10-6

10.8 VIOLATIONS .....	10-6
10.9 KEY STEPS IN ADDRESSING COMPLIANCE VIOLATIONS AND DEFAULTS .....	10-6
10.10 NOTIFICATION TO BORROWER OF SERVICING PROBLEMS.....	10-7
A. Preliminary Notification.....	10-7
B. Borrowers with Multiple Servicing Issues .....	10-8
10.11 EVALUATING THE PROJECT .....	10-9
10.12 MEETING WITH THE BORROWER .....	10-9
10.13 SELECTING SERVICING OPTIONS .....	10-9
A. Poor Management and Noncompliance with Program Requirements.....	10-9
B. Acceptable Management, but Marketability and Cash Flow Problems.....	10-10
C. Acceptable Management, but Lack of Project Demand .....	10-10
10.14 THE PROBLEM CASE REPORT.....	10-11
10.15 ENFORCEMENT ACTIONS .....	10-11
A. Liquidation .....	10-11
B. Debt Settlement .....	10-12
<b>SECTION 3: DEVELOPING A WORK-OUT AGREEMENT [7 CFR 3560.453]</b> .....	<b>10-13</b>
10.16 OVERVIEW OF WORK-OUT AGREEMENTS .....	10-13
10.17 CONDITIONS WARRANTING A WORK-OUT AGREEMENT .....	10-13
A. Financial Deficiencies .....	10-13
B. Physical Deficiencies .....	10-13
C. Fair Housing Deficiencies .....	10-14
D. Occupancy Deficiencies .....	10-14
10.18 ELIGIBILITY FOR WORK-OUT AGREEMENTS .....	10-14
A. Program Property .....	10-14
B. Owner Evaluation.....	10-14
10.19 CONTENT OF A WORK-OUT AGREEMENT .....	10-14
10.20 CONDITIONS PLACED ON THE BORROWER.....	10-14
10.21 PRIORITIES IN MEETING EXPENDITURES.....	10-15
10.22 LENGTH OF TERM AND AUTHORITIES .....	10-16
A. Term of Work-Out Agreement.....	10-16
B. Authority to Approve Work-Out Agreements.....	10-17
10.23 AGENCY REVIEW AND APPROVAL [7 CFR 3560.453(b)] .....	10-17
A. Evaluation of Work-Out Agreement .....	10-17
B. Procedures Following Approval of Agreement.....	10-18
10.24 CANCELING A WORK-OUT AGREEMENT .....	10-18
<b>SECTION 4: SPECIAL SERVICING ACTIONS.....</b>	<b>10-19</b>
10.25 SPECIAL SERVICING ACTIONS THAT MAY BE A PART OF A WORK-OUT AGREEMENT .....	10-19

A. Servicing Actions to Change Project Operations .....	10-19
B. Changes to the Loan Account.....	10-23
<b>SECTION 5: MONITORING THE WORK-OUT AGREEMENT AND SUBSEQUENT SERVICING .....</b>	<b>10-25</b>
10.26 MONITORING WORK-OUT AGREEMENTS.....	10-25
10.27 SUBSEQUENT SERVICING AND IMPACT ON FUTURE LOANS .....	10-25
<b>SECTION 6: SPECIAL NOTE RENTS (SNR) .....</b>	<b>10-27</b>
10.28 OVERVIEW OF SPECIAL NOTE RENTS [7 CFR 3560.210].....	10-27
10.29 SNR ELIGIBILITY REQUIREMENTS .....	10-27
A. Required Project Conditions .....	10-27
B. Borrower Requirements.....	10-27
10.30 SUBMITTING AND PROCESSING SNR REQUESTS.....	10-28
10.31 CHANGES TO AND TERMINATION OF SNRS .....	10-28
10.32 RESTRICTION ON NEW UNITS .....	10-29
<b>SECTION 7: ENFORCEMENT .....</b>	<b>10-31</b>
10.33 MULTI-FAMILY HOUSING ENFORCEMENT TEAM .....	10-31
10.34 REQUESTING ENFORCEMENT TEAM SERVICES .....	10-31
<b>CHAPTER 11: LOAN RESTRUCTURING .....</b>	<b>11-1</b>
11.1 INTRODUCTION.....	11-1
<b>SECTION 1: ALLOWABLE TYPES OF RESTRUCTURING .....</b>	<b>11-1</b>
11.2 OVERVIEW .....	11-1
11.3 LOAN AGREEMENT OR LOAN RESOLUTION CONSOLIDATION REQUIREMENTS [7 CFR 3560.410] .....	11-2
11.4 LOAN CONSOLIDATION REQUIREMENTS [7 CFR 3560.410] .....	11-2
11.5 REAMORTIZATION REQUIREMENTS [7 CFR 3560.455 (b)] .....	11-2
11.6 LOAN ADJUSTMENT (WRITEDOWN) REQUIREMENTS [7 CFR 3560.455(c)]......	11-3
<b>SECTION 2: LOAN AGREEMENT OR LOAN RESOLUTION/LOAN CONSOLIDATION .....</b>	<b>11-3</b>
11.7 OVERVIEW .....	11-3
11.8 BORROWER SUBMISSIONS .....	11-3
A. Loan Agreement or Loan Resolution Consolidation .....	11-3
B. Loan Consolidation .....	11-4
11.9 AGENCY PROCESSING OF BORROWER SUBMISSIONS .....	11-4

A. Loan Agreement or Loan Resolution Consolidation.....	11-4
B. Loan Consolidation .....	11-5
<b>SECTION 3: LOAN REAMORTIZATION .....</b>	<b>11-7</b>
11.10 OVERVIEW .....	11-7
11.11 ACCEPTABLE USES OF REAMORTIZATIONS.....	11-7
A. Allowable Conditions for Reamortizations .....	11-7
B. Requirements for Obtaining a Reamortization .....	11-8
11.12 BORROWER SUBMISSIONS.....	11-8
11.13 AGENCY REVIEW AND APPROVAL .....	11-8
A. Field Office Actions .....	11-8
B. Evaluating Borrower Requests.....	11-8
C. Approval Recommendation and State Office Review .....	11-9
D. National Office Exception.....	11-9
E. OGC Guidance .....	11-10
F. Agency Denial of Request .....	11-10
11.14 ADDITIONAL EVALUATION FOR REQUESTS INVOLVING DELINQUENCIES OR COMPLIANCE VIOLATIONS .....	11-10
A. Project Feasibility.....	11-10
B. Property is Adequately Maintained .....	11-10
C. Housing Remains Affordable .....	11-11
D. Compliance with Agency Regulations is Maintained .....	11-11
11.15 PROCESSING REAMORTIZATIONS.....	11-11
A. Complete Reamortization Agreement .....	11-11
B. Obtain <i>Form RD 3560-52</i> and Assumption Agreement .....	11-11
C. Establish End of the Reamortization Period .....	11-11
D. Establish Interest Rate .....	11-12
E. Address Delinquent Reserve Accounts .....	11-12
F. Obtain OGC Guidance As Needed.....	11-13
G. Execute New Interest Credit Agreement .....	11-13
H. Close the Reamortization .....	11-13
I. Meet Other Procedural Requirements .....	11-13
<b>SECTION 4: LOAN WRITEDOWNS .....</b>	<b>11-15</b>
11.16 OVERVIEW .....	11-15
11.17 ALLOWABLE USES .....	11-15
11.18 BORROWER SUBMISSIONS .....	11-15
11.19 AGENCY REVIEW AND APPROVAL .....	11-16
A. Appraisal .....	11-16
B. OGC Advice.....	11-16
C. Approval.....	11-16
11.20 PROCESSING WRITEDOWNS .....	11-16

<b>CHAPTER 12: ACCOUNT LIQUIDATION [7 CFR 3560.456]</b> .....	<b>12-1</b>
12.1 INTRODUCTION.....	12-1
<b>SECTION 1: MAKING THE DECISION TO LIQUIDATE</b> .....	<b>12-1</b>
12.2 AN OVERVIEW OF LIQUIDATION OPTIONS .....	12-1
A. Voluntary Liquidation.....	12-1
B. Foreclosure .....	12-2
C. Acquisition of Chattel Property.....	12-2
12.3 NET RECOVERY VALUE.....	12-2
A. Establishing Market Value .....	12-3
B. Environmental Considerations .....	12-3
C. Ordering an Appraisal .....	12-4
D. Holding Period .....	12-5
E. Deductions from Market Value .....	12-5
F. Additions to Market Value.....	12-6
12.4 BASIC SECURITY LOSS.....	12-6
12.5 ACCOUNT LIQUIDATION .....	12-6
A. Making the Decision to Liquidate .....	12-6
B. Possible Outcomes of Agency's Decision to Liquidate.....	12-7
<b>SECTION 2: LIQUIDATION PROCEDURES</b> .....	<b>12-9</b>
12.6 OVERVIEW .....	12-9
12.7 VOLUNTARY CONVEYANCE.....	12-9
A. Payment of Liens.....	12-9
B. Required Components of an Offer of Voluntary Conveyance.....	12-9
C. Appraisals.....	12-10
D. Decisions.....	12-10
E. Closing of Conveyance.....	12-11
12.8 FORECLOSURE .....	12-11
A. Making the Acceleration Decision .....	12-11
B. Acceleration.....	12-12
C. Review of the Acceleration Decision .....	12-13
D. Transfers and Subsequent Loans During Foreclosure .....	12-13
E. Foreclosure Notice .....	12-13
F. Determining the Government's Bid at Foreclosure Sale .....	12-14
G. After Foreclosure.....	12-14
12.9 ACQUISITION OF CHATTEL PROPERTY.....	12-14

<b>SECTION 3: DEBT SETTLEMENT .....</b>	<b>12-17</b>
12.10 BORROWER ELIGIBILITY .....	12-17
12.11 APPLICATION REQUIREMENTS .....	12-17
12.12 COMPROMISE AND ADJUSTMENT .....	12-18
A. Secured Debts.....	12-18
B. Unsecured Debts.....	12-18
C. Handling Payments.....	12-19
D. Delinquent Adjustment Agreement.....	12-19
12.13 CHARGE-OFF.....	12-19
12.14 CANCELLATION .....	12-19
A. Cancellation with Application.....	12-20
B. Cancellation without Application.....	12-20
C. Processing and Approving Cancellations .....	12-20
12.15 REFERRAL TO THE DEPARTMENT OF TREASURY .....	12-20
ATTACHMENT 12-A: NET RECOVERY VALUE WORKSHEET	
<b>CHAPTER 13: OTHER SPECIAL CASES [7 CFR 3560.458 through 3560.459] .....</b>	<b>13-1</b>
13.1 INTRODUCTION.....	13-1
<b>SECTION 1: PROPERTY ISSUES .....</b>	<b>13-1</b>
13.2 OVERVIEW OF PROPERTY ISSUES .....	13-1
13.3 ABANDONMENT .....	13-2
A. Indicators of Abandonment .....	13-2
B. Contacting Prior Lien Holders.....	13-2
C. Making Emergency Health and Safety Repairs.....	13-2
D. Appointing a Caretaker or Management Agent.....	13-3
E. Addressing the Agency's Relationship with the Borrower.....	13-4
13.4 VALUELESS LIENS.....	13-4
A. Declaring a Valueless Lien .....	13-4
B. Documenting Valueless Liens .....	13-5
13.5 OTHER SECURITY .....	13-5
13.6 OBTAINING ADDITIONAL SECURITY TO PROTECT AGENCY INTERESTS .....	13-5
A. State Director Authorization .....	13-6
B. OGC Advice .....	13-6
13.7 SECURITY ISSUES INVOLVING PROJECTS WITH PARTICIPATION LOANS .....	13-6
<b>SECTION 2: BORROWER ISSUES .....</b>	<b>13-7</b>
13.8 OVERVIEW OF BORROWER ISSUES.....	13-7
13.9 REQUIREMENTS FOR ADDRESSING BORROWER ISSUES .....	13-7
A. Bankruptcy .....	13-7

B. Divorce .....	13-7
C. Membership Liability Agreements.....	13-8
<b>CHAPTER 14: MANAGEMENT AND DISPOSAL OF REAL ESTATE OWNED PROPERTY .....</b>	<b>14-1</b>
14.1 INTRODUCTION.....	14-1
14.2 OVERVIEW OF THE CHAPTER.....	14-1
<b>SECTION 1: MANAGEMENT OF CUSTODIAL AND REO PROPERTY .....</b>	<b>14-3</b>
14.3 OVERVIEW .....	14-3
14.4 MANAGEMENT METHODS AND CONTRACTS.....	14-3
A. Selecting a Management Contractor .....	14-3
B. Management Contract Requirements .....	14-4
C. Management Costs .....	14-4
D. Project Funds.....	14-4
14.5 TAKING POSSESSION.....	14-4
A. Taking Custodial Possession.....	14-4
B. Acquiring an REO Property .....	14-5
14.6 INSPECTING AND SECURING CUSTODIAL AND REO PROPERTY .....	14-6
A. Inspecting and Classifying the Property.....	14-6
B. Securing Custodial and REO Property .....	14-7
14.7 DISPOSITION OF NONSECURITY PROPERTY.....	14-7
A. Custodial Property.....	14-7
B. REO Property .....	14-8
14.8 TAXES AND INSURANCE.....	14-8
A. Taxes .....	14-8
B. Insurance .....	14-9
14.9 PHYSICAL MAINTENANCE AND REPAIR .....	14-9
A. Vandalism and Theft.....	14-10
B. Off-Site Repairs or Improvements .....	14-10
14.10 SPECIAL USES OF REO.....	14-10
A. Transitional Housing for the Homeless.....	14-10
B. Mineral Leases .....	14-11

**SECTION 2: DISPOSITION OF REO PROPERTY [7 CFR 3560.503] .....14-13**

14.11 OVERVIEW .....	14-13
A. Sale Methods and Pricing.....	14-13
B. Financing.....	14-13
C. Warranty.....	14-13
14.12 PRICING AND SALES SCHEDULES .....	14-13
A. Appraisals.....	14-14
B. Sales Schedules and Administrative Price Reductions.....	14-14
14.13 MARKETING AND ADVERTISEMENT .....	14-15
A. Fair Housing and Affirmative Fair Housing Marketing Plan.....	14-16
B. Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) Integrated Mortgage Disclosures rule (TRID) .....	14-16
C. Advertising and Marketing Methods.....	14-16
D. Review of Marketing for Unsold Properties .....	14-17
14.14 SPECIAL MARKETING TECHNIQUES .....	14-17
A. Buyer Incentives.....	14-17
B. Broker Incentives .....	14-17
C. Acquisition of Land, Easements, or Rights-of-Way to Effect Sale .....	14-18
14.15 REO PROPERTY NOT MEETING PHYSICAL STANDARDS .....	14-18
A. Notice of Occupancy Restriction .....	14-19
B. Quitclaim Deed Restrictive Covenant .....	14-19
C. Release of Restrictive Covenant.....	14-20
14.16 DISPOSITION BY PUBLIC DRAWING .....	14-20
A. Listing the Property.....	14-21
B. Submission Requirements .....	14-22
C. Receiving and Considering Offers .....	14-22
D. Cancellation of Sales Contracts.....	14-23
14.17 DISPOSITION BY SEALED BID OR AUCTION .....	14-23
A. Establishing the Minimum Acceptable Offer.....	14-23
B. Publicizing the Sale .....	14-23
C. Sealed Bid Procedures.....	14-23
D. Auction Procedures .....	14-25
14.18 NEGOTIATED SALE .....	14-26
14.19 DISPOSAL OF PROPERTY FOR SPECIAL PURPOSES .....	14-26
14.20 DISPOSAL AS CHATTEL OR SALVAGE .....	14-26

**SECTION 3: ENVIRONMENTAL REQUIREMENTS.....14-27**

14.21 OVERVIEW .....	14-27
14.22 PROPERTY LOCATED WITHIN A SPECIAL FLOOD OR MUDSLIDE HAZARD AREA OR CONTAINS WETLANDS .....	14-27
14.23 COASTAL BARRIER RESOURCES SYSTEMS .....	14-28

14.24 NATIONAL REGISTER OF HISTORIC PLACES .....	14-28
14.25 UNDERGROUND STORAGE TANKS (UST) .....	14-28
14.26 MANAGEMENT OF HAZARDOUS SUBSTANCES AND PETROLEUM PRODUCTS.	14-28
14.27 LEAD-BASED PAINT .....	14-29
14.28 PROTECTIVE COVENANTS RESTRICTIONS AND EASEMENTS .....	14-29
<b>SECTION 4: PROCESSING AND CLOSING.....</b>	<b>14-31</b>
14.29 OVERVIEW .....	14-31
14.30 SPECIAL NOTICES AT SALE.....	14-31
14.31 INSPECTION .....	14-32
14.32 PRORATING REAL ESTATE TAXES AND/OR ASSESSMENTS .....	14-32
14.33 COMMISSIONS .....	14-32
14.34 TRANSFERRING TITLE.....	14-32
14.35 REPORTING SALE .....	14-32
<b>SECTION 5: PROCESSING CREDIT SALES ON NON-PROGRAM TERMS.....</b>	<b>14-33</b>
14.36 OVERVIEW .....	14-33
14.37 TERMS OF A NON-PROGRAM CREDIT SALE.....	14-33
14.38 ACCEPTING OFFERS.....	14-33
14.39 APPROVAL.....	14-34
14.40 CLOSING SALE .....	14-34
14.41 SERVICING THE NON-PROGRAM LOAN .....	14-35
ATTACHMENT 14-A: LEAD-BASED PAINT DISCLOSURE FORM	
<b>CHAPTER 15: PROJECT PRESERVATION .....</b>	<b>15-1</b>
15.1 INTRODUCTION.....	15-1
15.2 OVERVIEW OF THE CHAPTER.....	15-1
<b>SECTION 1: PRESERVATION AND ELIGIBILITY FOR PREPAYMENT.....</b>	<b>15-3</b>
15.3 OVERVIEW .....	15-3
15.4 BORROWERS ELIGIBLE TO REQUEST PREPAYMENT [7 CFR 3560.652].....	15-3
15.5 MEETING WITH THE BORROWER.....	15-3
15.6 TENANT NOTIFICATION REQUIREMENTS [7 CFR 3560.654] .....	15-4
15.7 REQUIREMENTS FOR PREPAYMENT REQUESTS [7 CFR 3560.653] .....	15-5
15.8 RECEIPT OF PREPAYMENT REQUESTS.....	15-6
15.9 COMPLETENESS REVIEW .....	15-6
15.10 DETERMINATION OF PREPAYMENT FEASIBILITY .....	15-7
A. Borrower's Funds.....	15-7
B. Third-Party Lender .....	15-8
C. Sale .....	15-8
15.11 ELIGIBILITY DETERMINATION .....	15-8

<b>SECTION 2: LOANS CLOSED BEFORE 1979 OR LOANS WITH NO RESTRICTIVE AGREEMENTS .....</b>	<b>15-9</b>
15.12 PREPAYMENT WAITING LIST .....	15-9
15.13 MAKING THE INCENTIVE OFFER—OVERVIEW .....	15-9
15.14 GENERAL INCENTIVE OFFER.....	15-9
15.15 SPECIFIC INCENTIVE REQUIREMENTS [7 CFR 3560.656] .....	15-9
15.16 TYPES OF INCENTIVES [7 CFR 3560.656(c)] .....	15-10
A. Rental Assistance .....	15-11
B. Increase in Annual Return .....	15-11
C. Excess HUD Section 8 Rents .....	15-11
D. Project Conversion or Modification of Interest Rate.....	15-11
E. Agency Equity Loans .....	15-11
F. Third-Party Equity Loans .....	15-12
15.17 DEVELOPMENT OF THE INCENTIVE OFFER .....	15-12
15.18 AGENCY OFFER OF INCENTIVES .....	15-12
15.19 BORROWER ACCEPTANCE OF INCENTIVES AND SUBSEQUENT ACTIONS [7 CFR 3560.657] .....	15-13
A. Borrower Acceptance.....	15-13
B. Closing the Incentive Offer .....	15-13
C. Transfers.....	15-14
15.20 INSUFFICIENT FUNDING FOR INCENTIVES .....	15-14
15.21 BORROWER REJECTION OF INCENTIVE OFFER AND SUBSEQUENT ACTIONS [7 CFR 3560.658] .....	15-14
15.22 DETERMINATION OF PREPAYMENT IMPACT .....	15-16
A. Prepayment Impact on Projects without Rental Assistance .....	15-16
B. Prepayment Impact on Projects with Rental Assistance.....	15-17
C. Processing the Prepayment.....	15-18
D. Monitoring Compliance with the Use Restrictions .....	15-18
<b>SECTION 3: LOANS CLOSED BETWEEN 1979 AND 1989 WITH A RESTRICTIVE AGREEMENT .....</b>	<b>15-19</b>
15.23 APPLICABILITY .....	15-19
15.24 REQUEST BORROWER TO REMAIN IN PROGRAM.....	15-19
15.25 SALE TO A NONPROFIT OR PUBLIC BODY [7 CFR 3560.659] .....	15-19
15.26 ESTABLISHING THE PROJECT VALUE .....	15-20
15.27 MARKETING REQUIREMENTS .....	15-20
15.28 SELECTING AN OFFER .....	15-21
15.29 LOANS MADE BY THE AGENCY OR OTHER SOURCES TO NONPROFIT ORGANIZATIONS AND PUBLIC AGENCIES .....	15-22
15.30 POSTSALE REQUIREMENTS .....	15-23
15.31 REQUIREMENTS FOR BORROWERS IF AN ACCEPTABLE PURCHASER IS NOT FOUND .....	15-24
<b>SECTION 4: SPECIAL CIRCUMSTANCES .....</b>	<b>15-25</b>
15.32 PROPERTIES UNDER BANKRUPTCY OR FORECLOSURE.....	15-25
15.33 ADVANCE PAYMENT OF ACCOUNTS.....	15-25

ATTACHMENT 15-A: OVERVIEW OF PREPAYMENT PROCESS

ATTACHMENT 15-B: EXPLANATION OF INCENTIVE OFFERS

ATTACHMENT 15-C: SAMPLE LETTERS TO TENANTS

    15-C-1: INITIAL TENANT NOTIFICATION OF OWNER'S INTENT TO PREPAY  
        AND VOUCHER AVAILABILITY

    15-C-2: NOTICE OF PREPAYMENT REQUEST WITHDRAWAL

    15-C-3: TENANT NOTIFICATION OF OWNER'S PREPAYMENT ACCEPTANCE

    15-C-4: RURAL DEVELOPMENT VOUCHER INFORMATION-ELIGIBILITY AND  
        VOUCHER AMOUNT DETERMINATION

    15-C-5: NOTIFICATION OF ACCEPTANCE OF INCENTIVES TO AVERT  
        PREPAYMENT

    15-C-6: NOTICE OF OFFER TO SELL TO A NONPROFIT

    15-C-7: TENANT NOTIFICATION OF OWNER'S PREPAYMENT ACCEPTANCE  
        AFTER OFFER TO SELL TO A NONPROFIT AND NO BUYER IS FOUND

    15-C-8: CURRENT ELIGIBLE TENANTS NOT PROTECTED BY HUD  
        SUBSIDY/RESTRICTIVE-USE PROVISIONS

    15-C-9: PREPAYMENT REQUEST FOR [NAME OF PROPERTY]

ATTACHMENT 15-D: INCENTIVE CALCULATION WORKSHEET AND DIRECTIONS

ATTACHMENT 15-E: RESTRICTIVE-USE PROVISIONS AND AGREEMENT MATRIX

ATTACHMENT 15-F: BORROWER PREPAYMENT APPLICATION CHECKLIST

ATTACHMENT 15-G: LEASE ADDENDUM

ATTACHMENT 15-H: PREPAYMENT AND DISPLACEMENT PREVENTION GRANT  
        AGREEMENT

ATTACHMENT 15-I: SUBORDINATION AGREEMENT

## APPENDICES

Appendix 1: Text of 7 CFR Part 3560

Appendix 2: Text of 7 CFR Part 11

Appendix 3: Forms Referenced in this Handbook

Appendix 4: Handbook Letters Referenced in this Handbook