

a subordination by FmHA or its successor agency under Public Law 103-354 on individual lots, the State Director may approve the subordination by completing and executing a subordination in the format of exhibit C of this subpart.

(5) FmHA or its successor agency under Public Law 103-354's lien on any lot will be released only at the time of sale to an eligible purchaser.

(6) The County Supervisor should provide the necessary supervision to assure that the RHS loan borrower takes the necessary action to assure that all qualified builders in the area are aware of the availability of rural housing sites and are given an equal opportunity to participate in this conditional commitment program. As a minimum, the borrower will be required to submit a signed statement indicating the actions taken including names and dates of contacts with builders.

(7 U.S.C. 1989; 5 U.S.C. 301; sec. 10, Pub. L. 93-347, 88 Stat. 392; 42 U.S.C. 1480; delegation of authority by the Sec. of Agr., 7 CFR 2.23; delegation of authority by the Asst. Sec. for Rural Development, 7 CFR 2.70)

[35 FR 16087, July 1, 1970, as amended at 41 FR 47460, Oct. 29, 1976; 42 FR 44669, Sept. 6, 1977; 43 FR 24264, June 5, 1978; 44 FR 1702, Jan. 8, 1979; 45 FR 39793, June 12, 1980; 46 FR 36106, July 14, 1981; 46 FR 61989, Dec. 21, 1981; 52 FR 8002, Mar. 13, 1987; 52 FR 19283, May 22, 1987]

§ 1822.268 Rates, terms, and source of funds.

(a) *Interest rate.* Upon request of the applicant, the interest rate charged by FmHA or its successor agency under Public Law 103-354 will be the lower of the interest rates in effect at the time of loan approval or loan closing. If an applicant does not indicate a choice, the loan will be closed at the interest rate in effect at the time of loan approval. Interest rates are specified in exhibit B of FmHA or its successor agency under Public Law 103-354 Instruction 440.1 (available in any FmHA or its successor agency under Public Law 103-354 office) for the type assistance involved.

(b) *Repayment period.* Final payment will be due 2 years after the date of the loan. When necessary to carry out the loan purposes, the national office may

authorize extension of maturity dates. As lots are sold before the final due date of the note, the proceeds of the sales will be applied on the account or any prior lien, or, with the prior approval of the national office, used in a manner consistent with the purposes of the loan and the security interest of the Government.

(c) *Source of funds.* Loans under this subpart will be made as insured loans, except that loans under § 1822.278 to develop building sites for sale in connection with self-help projects will be made as direct loans.

[35 FR 10687, July 1, 1970, as amended at 51 FR 6733, Feb. 26, 1986]

§ 1822.269 Security.

Each loan will be secured by a mortgage on the property purchased or improved with the loan, and a security interest in the funds held by the corporation in trust for the Government, in accordance with the provisions of the required Loan Resolution.

§ 1822.270 Technical, legal, and other services.

(a) *Appraisals.* The property will be appraised by an FmHA or its successor agency under Public Law 103-354 employee authorized to make real estate appraisals. The appraisal will consist of a narrative statement prepared and signed by the authorized employee describing in detail the items considered in arriving at the value of the property. Two values will be established by the appraiser:

(1) The fair market value of the total property "as is".

(2) The aggregate fair market value of the building sites after development.

(i) In determining the value of the property, the appraiser will consider the value and selling prices of similar building sites in the area. The selling prices of similar sites must be fully documented.

(ii) [Reserved]

(b) *Title Clearance and Legal Services.* For a loan to a public nonprofit organization, title clearance and legal services will be obtained in accordance with instructions from the OGC, observing the provisions of subpart B of part 1927 of this chapter to the extent

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feasible. For a loan to a private non-profit organization, the provisions of subpart B of part 1927 of this chapter regarding title clearance and legal services will apply. The applicant will be encouraged to have the same approved closing agent, where practical, perform the title clearance work in connection with the purchase of the land and the sale of the individual sites.

(c) *Contracts for legal services.* On projects requiring more legal services than are customarily required for title clearance alone, the applicant will be required to have a written contract when loan funds will be used for legal services. All such contracts will be subject to review and approval by the State director and therefore should be submitted to the State Director before execution by the applicant. Contracts will provide for the types of service to be performed and the amount of fees to be paid either in lump sum on the completion of all services or in installments as services are performed.

(d) *Engineering services.* On projects requiring engineering services, a written contract will be required between the engineer and the borrower. All such contracts will be subject to review and approval by the State director and therefore should be submitted to the State Director before execution by the applicant. The form of contract must conform with standard professional practices and describe the types of services to be performed and fees to be paid.

[35 FR 16087, July 1, 1970, as amended at 51 FR 6733, Feb. 26, 1986; 56 FR 67471, Dec. 31, 1991]

§ 1822.271 Processing applications.

(a) *Application.* The application will be in the form of a letter to the county supervisor with the following information included in or attached to the letter:

- (1) Name and address of applicant.
- (2) A copy of, or an accurate citation to, the specific provisions of State law under which the applicant is organized; a copy of the applicant's articles of incorporation, bylaws, and other authorizing documents; the names and addresses of the applicant's members, directors, and officers; and if another or-

ganization is a member of the applicant organization its name, address, and principal business.

(3) A current, dated, and signed financial statement showing assets, and liabilities, together with information on the repayment schedule and status of each debt.

(4) Evidence of inability to obtain credit from other sources.

(5) General description of the project.

(i) Location and size of tract or tracts to be bought and/or developed.

(ii) Number and size of individual sites planned together with a detailed plot plan.

(iii) Preliminary engineering plans, if available.

(6) Estimated cost and amount of loan needed.

(7) Explanation of applicant's financial contribution to the project.

(8) A map showing the location of and other supporting information on neighborhood and existing facilities such as distance to shopping area, neighborhood churches, available transportation, drainage, sanitation facilities, water supply available or planned, and access to essential services such as doctors, dentists, and hospitals.

(9) If facilities such as water and sewage systems, paved streets, and utilities are not currently available, information on when and how they will be provided.

(10) Evidence of the need for the proposed sites in the locality by low- and moderate-income families and other qualified applicants that are likely to be able to obtain financing for a home.

(11) Written evidence of any State, county, or local planning, zoning, or other ordinances imposing additional restrictions or requirements upon the proposed sites.

(b) *County supervisor's review and evaluation of applications.* The county supervisor will:

(1) Determine that the applicant meets the eligibility requirements of § 1822.264.

(2) Verify that the information provided is accurate and complete.

(3) Determine that:

(i) The sites will be located in a good residential area and that essential facilities and services will be provided.