

§ 1951.514

§ 1951.514 Recoverable and non-recoverable cost charges.

The District Director will service recoverable and non-recoverable cost items according to §1951.14 of subpart A of this part and FmHA or its successor agency under Public Law 103-354 Instruction 2024-A which is available in any FmHA or its successor agency under Public Law 103-354 office. (Recoverable and non-recoverable costs are defined in §1951.504 of this subpart.)

[53 FR 16245, May 6, 1988, as amended at 57 FR 36591, Aug. 14, 1992]

§ 1951.515 Promissory notes for borrowers who convert to PASS.

Promissory notes in the hands of investors when a loan is converted to PASS will be repurchased by the Finance Office and forwarded to the District Office for storage.

§ 1951.516 [Reserved]

§ 1951.517 Conversion from DIAS to PASS.

(a) *Conversion prior to May 1, 1985.* The account of any existing RRH loan recipient who elected to convert to PASS before October 31, 1983, by following instructions prescribed by FmHA or its successor agency under Public Law 103-354, and who signed their conversion documents before May 1, 1985, or any recipient of a new loan, credit sale, or transfer (new terms) closed between November 1, 1983, and April 30, 1985, who elected to convert to PASS, was converted, as if the loan has been on an amortization schedule from the date of the loan, transfer (new terms), or reamortization (new terms), whichever occurred later.

(b) *Conversion on or after May 1, 1985—*
(1) *Required conversion.* After May 1, 1985, all MFH loans, transfers or reamortizations must be closed on PASS, except LH loans specified in §1951.501(a)(2)(i) of this subpart. All borrowers receiving subsequent loans or reamortizations must convert all initial and subsequent loans on the project to PASS. If the subsequent loan and conversion are not closed on the first of the month, the interest from the date of closing to the first of the month will be capitalized. Recoverable costs and unpaid interest may be cap-

7 CFR Ch. XVIII (1-1-01 Edition)

italized on conversions required by subsequent loans or reamortization of one loan on the project account.

(2) *Voluntary conversion.* District Directors shall approve voluntary conversion of any account from DIAS to PASS upon a request by the borrower, when the following conditions are met:

(i) The loan account and reserve account are current less any authorized withdrawals at the time of conversion.

(ii) Conversion does not result in a rent increase.

(iii) The conversion is effective the first day of the month.

(3) *Processing conversions.* The following actions must be taken to convert an account from DIAS to PASS:

(i) Form FmHA or its successor agency under Public Law 103-354 1951-50, "Multiple Family Housing Conversion Agreement," will be completed according to the FMI except loans converted on Form FmHA or its successor agency under Public Law 103-354 1965-9, "Multiple Family Housing Assumption Agreement," or FmHA or its successor agency under Public Law 103-354 1965-16, "Multiple Family Housing Reamortization Agreement." The terms of Forms FmHA or its successor agency under Public Law 103-354 1965-9 and FmHA or its successor agency under Public Law 103-354 1965-16 convert the account to PASS.

(ii) When the borrower will continue to receive interest credit following conversion, the current interest credit plan type will be passed through to the PASS loan. However, a new Form FmHA or its successor agency under Public Law 103-354 1944-7 must be prepared to reflect the PASS payment and subsidy amount.

(iii) On the back of the original note or assumption agreement (new terms), below all signatures and endorsements, the District Director will insert the following: "A Form FmHA or its successor agency under Public Law 103-354 1951-50 dated ____ 198__, in the principal sum of \$____, has been given to modify the payment schedule of the note.

(4) *Principal balance to be converted.* For transfers and reamortizations, the applicable transfer or reamortization form will convert the account to PASS. The principal balance converted to

PASS will be established according to the FMI for Forms FmHA or its successor agency under Public Law 103-354 1965-9, FmHA or its successor agency under Public Law 103-354 1965-10, "Information on Assumption of Multiple Family Housing Loans," or FmHA or its successor agency under Public Law 103-354 1965-16, and the following:

(i) For DIAS to PASS transactions (new terms):

(A) First of the month closings: The unpaid interest, overage and late fees accrued through the last day of the previous month will be capitalized.

(B) Other than the first of the month closing: Accrued interest, overage and late fees through the date of closing will be capitalized. An interest only installment from the date of closing through the 30th day of the month will be collected from the transferee and applied to the transferee's account. This interest only installment will be calculated on the same interest credit rate in effect for the previous borrower.

(ii) For DIAS to PASS transactions (same terms):

(A) First of the month closings: Accrued interest, overage and late fees through the last day of the previous month will be collected from the transferor at closing and credited to the transferor's account.

(B) Other than the first of the month closings: Accrued interest, overage and late fees through the date of closing will be collected from the transferor at closing and credited to the transferor's account. The date of credit is the day before closing. An interest only installment from the date of closing through the 30th day of the month will be collected from the transferee and credited to the transferee's account. This interest only installment will be calculated on the same interest credit rate in effect for the previous borrower.

(iii) Reamortizations will always be effective the first day of the month. Unpaid interest, including any unpaid overage and late fees may be capitalized as follows: DIAS to PASS transactions, through the last day of the previous month; PASS to PASS transactions, through the 30th day of the previous month.

(iv) Audit receivables may not be transferred or reamortized. They will

be established as a "Collection Only" account for the transferor and must be collected or charged off.

(5) *Terms of conversion.* All conversion on Form FmHA or its successor agency under Public Law 103-354 1951-50 will be at the interest rate and within the remaining terms shown on the converting promissory note, assumption agreement (new terms) or reamortization agreement (new terms).

[50 FR 8597, Mar. 4, 1985, as amended at 53 FR 16245, May 6, 1988; 58 FR 40955, July 30, 1993; 62 FR 25065, May 7, 1997]

§ 1951.518 Determining current loan balances for transfer.

Same terms transfers, when the transferor has been converted to PASS, must take place in a current loan status on the date of the transfer. Any delinquent principal and interest must be brought current. Overpayments and advance regular payments made on PASS accounts result in the creation of a "future paid" status account under AMAS. These advance payments must be reversed off and applied to the transferor's principal balance prior to determining the loan balance to be transferred. If the future payments have been made through rental assistance, they must be refunded to the transferor and reapplied in the form of cash on the loan balance.

[53 FR 16245, May 6, 1988]

§§ 1951.519-1951.547 [Reserved]

§ 1951.548 Exception authority.

The Administrator of the Farmers Home Administration or its successor agency under Public Law 103-354 may, in individual cases, make an exception to any requirements of this Subpart not required by the authorizing statute if the Administrator finds that application of such requirement would adversely affect the interest of the Government. The Administrator will exercise the authority only at the request of the State Director. The District Director will submit the request supported by data: demonstrating the adverse impact; identifying the particular requirement involved; showing proper alternative courses of action; and, identifying how the adverse impact will be eliminated.