

(d) The State Director may request from the National Office any authority not specifically delegated to the State Director. Written requests consistent with the intent and requirements of each respective loan program must be submitted to the National Office for prior authorization and must include the complete docket and the State Director's specific recommendations.

[49 FR 49590, Dec. 21, 1984, as amended at 55 FR 29564, July 20, 1990; 56 FR 2257, Jan. 22, 1991; 58 FR 38928, July 21, 1993]

§§ 1965.56–1965.57 [Reserved]

§ 1965.58 Responsibilities.

(a) District Directors will: (1) Keep sufficiently informed of borrower operations to know whether they are operating successfully and complying with their obligations to the FmHA or its successor agency under Public Law 103–354.

(2) Furnish borrowers with information, notices, reminders, fair housing posters, advice and assistance, and take other actions regarding the loan obligations and compliance therewith as considered necessary to determine whether borrowers are operating successfully, are complying with their loan obligations, and are likely to continue with compliance. This includes conducting all civil rights compliance reviews to determine compliance with all appropriate legislation regarding nondiscrimination in federally financed programs, in accordance with Subpart E of Part 1901 of this chapter.

(3) Promptly report to the State Director the failure of any borrower to comply with the terms and conditions of its agreements with FmHA or its successor agency under Public Law 103–354 after noncompliance has been brought to the attention of the borrower and recommended corrective action has not been taken.

(4) Furnish training and technical guidance not readily available through other sources to borrowers to protect the FmHA or its successor agency under Public Law 103–354's interests. This training and guidance may relate to business operations, project management, personnel training, membership activities, fair housing requirements and policy, or any other phase which

vitality affects the borrower's operations,

(5) Maintain the Management Card System according to FmHA or its successor agency under Public Law 103–354 Instruction 1905–A (available in any FmHA or its successor agency under Public Law 103–354 office) to assure prompt compliance by borrowers with FmHA or its successor agency under Public Law 103–354 requirements relating to repayments, budgets and reports, taxes, insurance and bond renewals, reports required by State law or regulations as indicated in State Supplements, security instrument expirations, and other items of loan and security servicing,

(6) Maintain the official borrower case files according to the requirements of FmHA or its successor agency under Public Law 103–354 Instruction 2033–A (available in FmHA or its successor agency under Public Law 103–354 State and District offices), and MISTR according to FmHA or its successor agency under Public Law 103–354 Instruction 2033, and

(7) Promptly collect FmHA or its successor agency under Public Law 103–354 loan payments and service security for the FmHA or its successor agency under Public Law 103–354 loans.

(b) State Director will:

(1) Coordinate and direct loan servicing activities relating to borrowers and perform other functions as prescribed by this subpart.

(2) Delegate in writing any authority delegated to the State Director in this subpart unless otherwise restricted, to only those State Office staff members who, in the opinion of the State Director, have been adequately trained and who demonstrate their knowledge in understanding and administering the MFH policies and procedures of FmHA or its successor agency under Public Law 103–354. The individual delegation of responsibility and authority may be limited or expanded in scope, or revoked, as deemed appropriate by the State Director and will be prepared according to FmHA or its successor agency under Public Law 103–354 Instruction 2006–F (available in any FmHA or its successor agency under Public Law 103–354 office). Unless specifically authorized elsewhere in this subpart, the

authorities of the State Director may not be delegated below the State Office staff level. (The State Office staff does not include District Office staff for the purposes of this subpart.)

(3) Ensure that District Directors carry out their responsibilities for loan servicing and provide the District Office with appropriate technical guidance, training and follow-up supervision to service loans.

(4) Coordinate as appropriate with OGC.

(5) Maintain necessary liaison with State and local officials.

§§ 1965.59–1965.60 [Reserved]

§ 1965.61 General loan servicing requirements.

(a) *Payments.* Payments will be handled according to the applicable provisions of subparts A and B of part 1951 of this chapter, and subparts D and E of part 1944 of this chapter.

(b) *Borrower reports, audits, and analyses.* Borrower reports, audits, and analyses, including the approval or disapproval of annual operating budgets, requests for rent and occupancy charge changes, and occupancy problems will be processed and handled according to subpart C of part 1930 of this chapter.

(c) *Maintenance.* Project maintenance is of utmost importance. All projects must be adequately maintained by the borrower not only to protect the FmHA or its successor agency under Public Law 103-354's interest, but also to attract potential clients (tenants for rental projects, members for cooperative projects, purchasers for RHS). Maintenance should be reviewed during each supervisory visit and appropriate recommendations made to the borrower. The District Director will inspect the real estate security as required by subpart C of part 1930 of this chapter.

(d) *Actions by third parties affecting FmHA or its successor agency under Public Law 103-354 security.* Cases including third party action will be handled according to the provisions of §1965.104(c) of subpart C of part 1965 of this chapter, except that references to the County Supervisor shall be construed to mean District Director when applied to multiple housing type programs.

(e) *Lease of security property.* The leasing of property (except to tenants for specific program purposes) serving as security for multiple housing loans and grants other than as indicated in this section is not authorized. Approval of leases by the State District is authorized in the following cases:

(1) *Leases to public housing authorities.* RRH and RCH borrowers may be permitted to renew and continue leasing all or part of the housing facilities to a housing authority with the benefits of the HUD Section 23 leasing program. No new leases will be entered into. The lease will be on a form provided by the housing authority and must be on terms that will enable the borrower to continue the objectives of the loan and make payments on schedule.

(2) *Lease of a portion of the security property.* When the RRH or RCH or LH borrower will continue to operate the facilities for the purpose for which the loan or grant was made, the State Director or his/her designee may approve the leasing of related facilities such as kitchens, recreation facilities and community buildings, subject to the applicable provisions of §1944.212 of subpart E of part 1944 of this chapter for RRH and RCH and §1944.158 of subpart D of part 1944 of this chapter for LH and under the following conditions:

(i) The lease is advantageous to the borrower and the tenants, and will not impair the FmHA or its successor agency under Public Law 103-354's interest.

(ii) The amount of the consideration is adequate. The consideration must be sufficient to pay all prorated operating and maintenance expenses, a prorated share of the annual reserve deposit, and the prorated part of the loan amortization at the note rate of interest.

(iii) The lease should provide at its termination for the restoration of the leased space to its original condition or a condition acceptable to the owner and FmHA or its successor agency under Public Law 103-354.

(iv) Consent to the lease shall not exceed 3 years at a time unless the State Director determines with the prior written concurrence of the National Office that a longer lease is clearly more