

contributing to the project's lack of financial feasibility.

5. *Return on equity investment.* To the extent practicable, the CDBG assisted activity should provide not more than a reasonable return on investment to the owner of the assisted activity. This will help ensure that the grantee is able to maximize the use of its CDBG funds for its economic development objectives. However, care should also be taken to avoid the situation where the owner is likely to receive too small a return on his/her investment, so that his/her motivation remains high to pursue the business with vigor. The amount, type and terms of the CDBG assistance should be adjusted to allow the owner a reasonable return on his/her investment given industry rates of return for that investment, local conditions and the risk of the project.

6. *Disbursement of CDBG funds on a pro rata basis.* To the extent practicable, CDBG funds used to finance economic development activities should be disbursed on a pro rata basis with other funding sources. Recipients should be guided by the principle of not placing CDBG funds at significantly greater risk than non-CDBG funds. This will help avoid the situation where it is learned that a problem has developed that will block the completion of the project, even though all or most of the CDBG funds going in to the project have already been expended. When this happens, a recipient may be put in a position of having to provide additional financing to complete the project or watch the potential loss of its funds if the project is not able to be completed. When the recipient determines that it is not practicable to disburse CDBG funds on a pro rata basis, the recipient should consider taking other steps to safeguard CDBG funds in the event of a default, such as insisting on securitizing assets of the project.

[60 FR 1953, Jan. 5, 1995]

**PART 572—HOPE FOR HOME-OWNERSHIP OF SINGLE FAMILY HOMES PROGRAM (HOPE 3)**

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AUTHORITY: 42 U.S.C. 3535(d) and 12891.

SOURCE: 58 FR 36526, July 7, 1993, unless otherwise noted.

**Subpart A—General**

**§ 572.1 Overview of HOPE 3.**

The purpose of the HOPE for Homeownership of Single Family Homes program (HOPE 3) is to provide homeownership opportunities for eligible families to purchase Federal, State, and local government-owned single family properties. HOPE 3 provides grants to eligible applicants to plan

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and implement homeownership programs designed to meet the needs of low-income first-time homebuyers.

[58 FR 36526, July 7, 1993, as amended at 61 FR 48797, Sept. 16, 1996]

### § 572.5 Definitions.

The terms *HUD*, *Indian Housing Authority (IHA)*, *NAHA, 1937 Act*, *NOFA*, and *Public Housing Agency (PHA)* are defined in 24 CFR part 5.

*Administrative costs* means reasonable and necessary costs, as described and valued in accordance with OMB Circular No. A-87 or A-122<sup>1</sup> as applicable, incurred by a recipient in carrying out a homeownership program under this part. For purposes of complying with the 15 percent limitation in § 572.215(o), administrative costs do not include the costs of activities that are separately eligible under § 572.215.

*Applicant* means a private nonprofit organization; a cooperative association; or a public body in cooperation with a private nonprofit organization that applies for a HOPE 3 grant under this part. A cooperative association is an eligible applicant only for eligible property it proposes to acquire and transfer ownership interests to eligible families under a homeownership program.

*Consolidated plan* means the document that is submitted to HUD that serves as the planning document of the jurisdiction, in accordance with 24 CFR part 91.

*Cooperating entity* means a private nonprofit organization or public body that the lead applicant has designed in its application to carry out certain functions in the HOPE 3 program. The responsibilities of a cooperating entity must be specified in a memorandum of agreement signed by the lead applicant and the cooperating entity.

*Cooperative association* means an association organized and existing under applicable State, local, territorial, or tribal law primarily for the purpose of acquiring, owning, and operating housing for its members or shareholders, as applicable.

*Displaced homemaker* means as the term is defined in 42 U.S.C. 12704. The

individual must not have worked full-time, full-year in the labor force for at least 2 years.

*Eligible family* means a low-income family who is a first-time homebuyer.

*Eligible property* means a single residential property, containing no more than four units, that is owned or held by HUD, the Secretary of Veterans Affairs, the Secretary of Agriculture, the Secretary of Defense, the Secretary of Transportation, the Resolution Trust Corporation, the Federal Deposit Insurance Corporation, the General Services Administration, or any other Federal agency; a State or local government (including any in rem property); or a PHA/IHA (excluding public or Indian housing under the 1937 Act). This definition includes individual condominium units located in multifamily structures owned or held by an eligible source and properties held by institutions within the jurisdiction of the Resolution Trust Corporation. All cooperative units acquired under HOPE 3 must be located in properties containing no more than four units to qualify as eligible property under this part. In the case of two- to four-unit property, only property that may be divided so each unit may be acquired by an eligible family is eligible, except as provided in § 572.115(c). For purposes of this definition, the term State or local government means any entity included in the first sentence of the definition of public body.

*First-time homebuyer* means as the term is defined in 42 U.S.C. 12704.

*Homeownership program* means a program for homeownership meeting the requirements under this part. The program must provide for acquisition by eligible families of ownership interests in the units in an eligible property under an ownership arrangement approved by HUD under this part. All eligible properties assisted under the program must be initially acquired by eligible families.

*Lead applicant* means an eligible applicant designated in a HOPE 3 application to assume legal responsibility as the recipient and execute the grant agreement.

*Lease-purchase* means

<sup>1</sup>See § 572.420(a) concerning the availability of OMB Circulars.