

completed within the agreed time period, the HA may terminate the HAP contract or exercise other rights under the HAP contract.

(3) If other deficiencies exist, the HA must determine whether and to what extent the deficiencies are correctable and whether a time extension is warranted, and HUD must determine whether the contract rents should be reduced.

(4) Otherwise, the unit(s) may not be accepted, and the owner must be notified with a statement of the reasons for nonacceptance.

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[60 FR 34717, July 3, 1995, as amended at 60 FR 45661, Sept. 1, 1995; 64 FR 50230, Sept. 15, 1999]

Subpart D—Housing Assistance Payments Contract

§ 983.151 Housing assistance payments contract (HAP contract).

(a) *Required form.* The HA must enter into a HAP contract with the owner in the form prescribed by HUD for assistance provided under this part 983.

(b) *Term of HAP contract.* (1) The initial HAP contract term may not be less than one year nor more than five years, and may not extend beyond the ACC expiration date for the funding source from which the HAP contract is to be funded.

(2) The contract authority for the funding source must exceed the estimated annual housing assistance payments for all tenant-based and project-based HAP contracts funded from the funding source.

(3) Within these limitations, the HA has the sole discretion to determine the HAP contract term.

(c) *Renewal of HAP contracts.* With HUD field office approval and at the sole option of the HA, HAs may renew expiring HAP contracts for such period or periods as the HUD field office determines appropriate to achieve long-term affordability of the assisted housing, provided that the term does not extend beyond the ACC expiration date for the funding source. HAs must identify the funding source for renewals; different funding sources may be used for the

initial term and renewal terms of the HAP contract. In addition to assessing whether the HAP contract should be renewed to achieve long term affordability, HUD will review an HA's renewal request to determine that the requirements listed in § 983.3(a) will be satisfied, and to determine if a rent reduction is warranted pursuant to 24 CFR part 12. The owner and owner's successors in interest must accept all HAP contract renewals agreed to by the HA and approved by HUD.

(d) *Time of execution.* The HA must execute the HAP contract if the HA accepts the unit(s) under § 983.104. The effective date of the HAP contract may not be earlier than the date of HA inspection and acceptance of the unit(s).

(e) *Units under lease.* After commencement of the HAP contract term, the HA must make the monthly housing assistance payments in accordance with the HAP contract for each unit occupied under lease by a family.

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§ 983.152 Reduction of number of units covered by HAP contract.

(a) *Limitation on leasing to ineligible families.* Owners must lease all assisted units under HAP contract to eligible families. Leasing of vacant, assisted units to ineligible tenants is a violation of the HAP contract and grounds for all available legal remedies, including suspension or debarment from HUD programs and reduction of the number of units under the HAP contract, as set forth in paragraph (b) of this section. Once the HA has determined that a violation exists, the HA must notify the HUD field office of its determination and the suggested remedies. At the direction of the HUD field office, the HA must take the appropriate action.

(b) *Reduction for failure to lease to eligible families.* If, at any time beginning 180 calendar days after the effective date of the HAP contract, the owner fails for a period of 180 continuous calendar days to have the assisted units leased to families receiving housing assistance or to families who were eligible when they initially leased the unit

but are no longer receiving housing assistance, the HA may, on at least 30 calendar days notice, reduce the number of units covered by the HAP contract. The HA may reduce the number of units to the number of units actually leased or available for leasing by eligible families plus 10 percent (rounded up). If the owner has only one unit under HAP contract and if one year has elapsed since the date of the last housing assistance payment, the HAP contract may be terminated with the consent of the owner.

(c) *Restoration.* The HA will agree to an amendment of the HAP contract to provide for subsequent restoration of any reduction made pursuant to paragraph (b) of this section if:

- (1) The HA determines that the restoration is justified by demand,
- (2) The owner otherwise has a record of compliance with obligations under the HAP contract; and
- (3) Contract authority is available.

Subpart E—Management

§ 983.201 Responsibilities of the HA.

The HA must:

- (a) Inspect the project before, during and upon completion of new construction or rehabilitation; and
- (b) Ensure that the amount of assistance that is attached to units is within the amounts available under the ACC.

[63 FR 23871, Apr. 30, 1998]

§ 983.202 Responsibilities of the owner.

Section 982.452 of this chapter, *Owner responsibilities*, applies. The owner is also responsible for performing all of the owner responsibilities under the Agreement and the HAP contract, providing the HA with a copy of any termination of tenancy notification, and offering vacant, accessible units to a Family with one or more members with a disability requiring accessibility features of the vacant unit and occupying an assisted unit not having such features.

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§ 983.203 Family participation.

Subpart E of part 982 of this chapter, *Selection for Tenant-based Program*, does not apply, except as it is expressly made applicable by this section.

(a) *HA selection for participation.* (1) The following provisions apply to this part: §§ 982.201, 982.202 except paragraph (b)(3), 982.203, 982.204 except paragraph (a) and (d), 982.205 except paragraph (a), 982.206, 982.207.

(2) For purposes of this part, a family becomes a participant when the family and owner execute a lease for a unit with project-based assistance.

(3) An HA may use the tenant-based waiting list, a merged waiting list, or a separate PBC waiting list for admission to the PBC program. If the HA opts to have a separate PBC waiting list, the HA may use a single waiting list for all PBC projects, or may use a separate PBC waiting list for an area not smaller than a county or municipality.

(4) Except for special admissions and admissions pursuant to paragraph (c)(3) of this section, participants must be selected from the HA waiting list. The HA must select participants from the waiting list in accordance with admission policies in the HA administrative plan.

(5) HAs authorized to use the 30-percent limit to prevent prepayments under State mortgage programs must not count families selected to occupy units in these State-assisted or subsidized projects against the local preference limit.

(6) The selection of eligible in-place families does not count against the local preference limit.

(b) *HA determination of eligibility of in-place families.* Before an HA selects a specific unit to which assistance is to be attached, the HA must determine whether the unit is occupied, and if occupied, whether the unit's occupants are eligible for assistance. If the unit is occupied by an eligible family (including a single person) and the HA selects the unit, the family must be afforded the opportunity to lease that unit or another appropriately sized, project-based assisted unit in the project without requiring the family to be placed on the waiting list. An HA may not select a unit, or enter into an Agreement