are dedicated to, and maintained by, a public body.

(42 U.S.C. 1480; delegation of authority by the Sec. of Agri., 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 43 FR 24264, June 5, 1978]

§ 1822.266 Limitations.

(a) *Loan limits.* No RHS loan(s) will be made to any applicant which will result in the applicant's owning an unpaid principal balance of more than $100,000 on such loan(s) unless prior authorization for a larger loan is obtained from the national office. No such loan will exceed the development cost as defined in § 1822.263(d), or the value of the property as improved with the loan. These limitations also apply to cases in which the same persons hold a majority of the membership interests or constitute a majority of the directors of two or more applicants.

(b) *Limitations of use of loan funds.* Loans will not be made for:

(1) The purchase of land in excess of the immediate and identified needs in the locality.

(2) The purchase of land from a member of an applicant-organization, or from another organization in which any member of the applicant-organization has an interest, without prior consent of the national office.

(3) Refinancing of debts, except in accordance with paragraph (e) of this section.

(4) Payment of any fee, charge, or commission to any broker, negotiator, or other person for the referral of a prospective applicant or solicitation of a loan.

(5) Payment of any fee, salary, commission, profit, or compensation to an applicant, or to any officer, director, trustee, stockholder, member or agent of an applicant, except as provided in § 1822.265(b). No contract or agreement for services to be paid for with loan funds should be executed by the applicant without prior approval by the State director.

(c) *Sale of developed sites.* The sites developed with a section 524 loan must be for housing low- and moderate-income families and may be sold to families, nonprofit organizations, public agencies, and cooperatives eligible for assistance under any section of title V of the Housing Act of 1949, or under any other law which provides financial assistance. For example, this may include:

(1) Individuals with low and moderate incomes eligible for HUD mortgages.

(2) Individuals with low and moderate incomes eligible for VA guaranteed loans.

(3) Individuals with low or moderate incomes eligible for a loan from any private lender which is authorized by law to provide financial assistance for housing.

(4) Nonprofit organizations funded by Federal, State, or local governments carrying out programs for low- and moderate-income families to obtain housing.

(5) State or local public agencies such as a housing authority or a housing finance development agency carrying out programs for low- and moderate-income families to obtain housing.

(d) *Suitability of sites.* Sites will meet the requirements of the planned use; for example, individual housing or multiple housing or any combination thereof. Building sites must be well located and designed to provide a desirable living environment. Generally a loan will not be made for the development of less than 10 units, but they need not be contiguous.

(e) *Obligations incurred before loan closing.* When an applicant files an application for a loan, the county supervisor will advise the applicant that development work must not be started and obligations for work, materials, or land purchase must not be incurred before the loan is closed. If, nevertheless, the applicant incurs obligations for work, materials, or land purchase before the loan is closed, the State director may authorize the use of loan funds to pay such obligations only when he finds that all the following conditions exist:

(1) The obligations were incurred after the applicant filed a written application for a loan.

(2) The applicant is unable to pay such obligations from its own resources or to obtain credit from other sources, and failure to authorize the use of loan

funds to pay such debts would impair the applicant's financial position.

(3) The obligations were incurred for authorized loan purposes.

(4) Contracts, materials, development and any land purchase meet FmHA or its successor agency under Public Law 103–354 standards and requirements.

(5) Payment of the obligations will remove any liens which have attached, and any basis for liens that may attach, to the property on account of such obligations or such work, materials, or land purchase.

[35 FR 10687, July 1, 1970, as amended at 40 FR 6951, Feb. 18, 1975]

§ 1822.267 Special conditions.

(a) *Evidence of need.* Loans will be made on the basis of the applicant providing firm information as to the number of sites to be developed and evidence of a need for the proposed building sites in the locality.

(b) *Nondiscrimination.* The borrower will be required to agree not to discriminate or permit discrimination, in accordance with section 3 of the loan resolution form ''('Rural Housing Site' Loan to Nonprofit Corporation),'' available at all FmHA or its successor agency under Public Law 103–354 offices.

(c) *Supervisory assistance.* Supervision will be provided borrowers to the extent necessary to achieve the objectives of the loan and to protect the interests of the Government. County supervisors will counsel with applicants in selecting locations that will provide essential services and facilities and will result in the development of desirable residential communities.

(d) *Loan resolution.* A Loan Resolution will be adopted by the applicant's Board of Directors or similar governing body using a form entitled, ''((Rural Housing Site) Loan to Nonprofit Corporation)'' available at all FmHA or its successor agency under Public Law 103–354 offices. If any provisions are not appropriate to a particular case, proposed substitute language should be submitted to the national office with the recommendations of the State director.

(e) *Development policies.* Development will be planned and performed in accordance with subparts A and C of part 1924 of this chapter, and certain information in a guide entitled ''Planning and Developing Building Sites'' available at all FmHA or its successor agency under Public Law 103–354 offices.

(f) *Water and waste disposal facilities.* If public water and waste disposal facilities are not available and these facilities will be provided on a community basis with funds included in the RHS loan or with other financing, provision should be made to form an organization with members who will provide continuing maintenance and management of facilities. The cost of the facilities should be considered as a cost of developing the sites and included in the price charged for the lots when they are sold.

(g) *Compliance with local codes and regulations.* Planning and development of sites will comply with all State, county, and local planning and zoning requirements, and will be for housing that will conform with any applicable laws, ordinances, codes, and regulations governing such matters as construction, heating, plumbing, electrical installation, fire prevention, health, and sanitation.

(h) *Optioning of land.* If a loan includes funds to purchase real estate, the applicable provisions of subpart A of part 1943 regarding options will be followed. After the loan is approved, the county supervisor will have Form FmHA or its successor agency under Public Law 103–354 440–35, ''Form Letter—Acceptance of Option,'' or other appropriate form of acceptance, completed, signed by the applicant, and mailed to the seller.

(i) *Use of and accountability for loan funds.* Supervised bank accounts will not be used except when their requirement is made or authorized by the State director for cases where adequate bonding is not available. If a supervised bank account is used, collateral for deposits of funds will be pledged when the supervised bank account exceeds $100,000. All loan funds and funds from other sources to be used to pay the development costs of the site, as well as proceeds from the sale of any sites, will be deposited in accordance with part 1902, subpart A of this chapter. The county supervisor will see that funds for land purchase are paid to the seller simultaneously with loan closing.