

nonprofit organizations and public agencies and forward the list to its District Offices.

§ 1965.204 Processing prepayment requests and related rent increases.

(a) *Chronological order of steps in processing prepayment requests.* Prior to approving prepayment of an FmHA or its successor agency under Public Law 103-354 MFH loan, FmHA or its successor agency under Public Law 103-354 must determine the eligibility and ability of the borrower to prepay the loan; attempt to keep needed housing in the very low-, low-, and moderate-income market; and ease the transition of tenants that may be affected by the conversion of a federally-financed project to unsubsidized conventional housing. The remainder of this procedure provides the chronological order for the actions to be taken:

- (1) Borrower written request for prepayment (§1965.205 and exhibit C of this subpart).
- (2) Required notifications (§1965.206 of this subpart).
- (3) Evaluation of borrower ability to prepay (§1965.211 and exhibit E of this subpart).
- (4) FmHA or its successor agency under Public Law 103-354 incentive offer and borrower decision regarding incentives (§§1965.213 and 1965.214 and exhibits D and E of this subpart).
- (5) Evaluation of project need by FmHA or its successor agency under Public Law 103-354 (§1965.210 and exhibit E of this subpart).
- (6) Approval of prepayment under exception authority (§1965.215 and exhibit E of this subpart).
- (7) Sale to nonprofit organizations or public agencies (§§1965.216 and 1965.217 of this subpart).
- (8) Approval of prepayment in the absence of interest in purchase by nonprofit organization of public agency (§§1965.218 and 1965.219 of this subpart).
- (9) Actions to be taken in the event of restrictive-use violations (§1965.222 of this subpart).
- (10) Relationship of these procedures to other servicing actions (§1965.223 of this subpart).
- (11) Prepayment of loans due to advance payments or completion of am-

ortized payments (§1965.224 of this subpart).

(b) *Rent increases resulting from prepayment process.* If rent increases are necessary due to the making of an equity loan to avert prepayment with or without a transfer, the procedures for tenant notifications and comment will be followed as set forth in paragraphs IV B of exhibit C to subpart C of part 1930 of this chapter. The reason for the rent increase will be shown as "to meet the additional expense incurred in order to avert removal of (name of project) from the FmHA or its successor agency under Public Law 103-354 program."

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§ 1965.205 Borrower request to prepay.

(a) Prior to initiating a formal prepayment request, borrowers considering prepaying their loans should meet with the applicable FmHA or its successor agency under Public Law 103-354 Servicing Office to discuss the prepayment request and the requirements of this procedure. The borrower will be provided with exhibit C of this subpart, to aid in completing the prepayment request package.

(b) At the meeting, the Servicing Office will inform the borrower that the project will be evaluated as unsubsidized conventional multi-family housing for the purposes of determining eligibility for incentives. An appraisal will be completed to determine if any equity exists in the project when valued as unsubsidized conventional multi-family housing. The components of the incentive offer, if any, will be dependent upon the amount of equity as follows:

- (1) If the project has equity in excess of the borrower's initial investment, an equity loan and a combination of additional incentives may be considered;
- (2) If no equity exists, but it can be shown that the project can be prepaid and operated successfully in the subject market, a combination of incentives not including an equity loan will be considered; or