

housing and financial assistance to tenants in the project, of the prepayment request and a statement specifying how long financial assistance from such parties will be provided to tenants after prepayment.

(7) A certification that the housing project covered by the loan being prepaid will continue to be administered in accordance with the Fair Housing Act.

(8) A description of the proposed use of the property after prepayment with documentation supporting the feasibility of the proposed use and a budget showing anticipated costs and resources available to cover costs of transition to and operation of the property as proposed for 3 years.

(9) A market study that addresses assisted and conventional housing, community demographics, and economic activity in the market area where the housing project covered by the loan being prepaid is located and the feasibility of the proposed use of the housing project in the market.

(c) If a prepayment request lacks full and complete information on any item, the Rural Housing Service will return the prepayment request to the borrower with a letter citing the deficiencies in the prepayment request. The Rural Housing Service will offer borrowers an opportunity, within 30 days following the date of the return, to address the reasons given by the Rural Housing Service for the return of the prepayment request and will allow the borrower to submit a revised prepayment request.

(d) The Rural Housing Service will review complete requests to determine if:

(1) The loan is eligible for prepayment;

(2) The borrower has the ability to prepay;

(3) The borrower has complied or has the ability to comply with applicable federal, state, and local laws related to the prepayment request;

(4) The borrower's proposed use of the property after prepayment is likely to be achieved; and,

(5) The proposed use of the property after prepayment will allow for compliance with any restrictive-use provisions, which may apply to the property after prepayment.

(e) If the Rural Housing Service determines that the prepayment request appropriately satisfies all the conditions listed in paragraph (d) of this section, the Rural Housing Service will process the prepayment request and make a reasonable effort to enter into a new restrictive-use agreement with the borrower in accordance with § 3560.662. If the Rural Housing Service determines

that a loan is ineligible for prepayment or the borrower does not have the ability to prepay, to convert the housing to the proposed use, or to comply with any applicable restrictive-use provisions, the Rural Housing Service will return the prepayment request to the borrower with a written explanation of the Rural Housing Service's determinations.

#### **§ 3560.654 Tenant notification requirements.**

(a) Within 30 calendar days of receiving a complete prepayment request, the Rural Housing Service will send a prepayment request notice to each tenant in the housing project. Borrowers must post the Rural Housing Service's prepayment request notice in public areas throughout the housing project from the date of the notice until the final resolution of the prepayment request. The prepayment request notice will establish a date and place where tenants may meet with the Rural Housing Service to discuss the prepayment request and will advise tenants that:

(1) They may review all information submitted with the prepayment request except financial information regarding the borrower entity, which the Rural Housing Service will withhold from tenant review unless given written permission for the release of the information from the borrower; and,

(2) They have 30 days from the date of the prepayment request notice to give the Rural Housing Service comments on the prepayment request.

(b) Borrowers may provide a prepayment request notice of their own directly to tenants and may establish a date and place where tenants may meet with the borrower to discuss the prepayment request. The Rural Housing Service and other providers of housing assistance for very-low, low, and moderate-income households may attend a borrower's prepayment request meeting with tenants.

(c) If the Rural Housing Service agrees to accept prepayment on a loan, the Rural Housing Service will send a prepayment acceptance notice to each tenant in the housing project at least 60 days prior to the prepayment date. Borrowers must post copies of the Rural Housing Service's prepayment acceptance notice in public areas throughout the housing project until prepayment is made. If the prepayment acceptance was based on a borrower's agreement to comply with restrictive-use provisions, the notice will describe the restrictive-use provisions that will apply to the housing project after prepayment and the tenant's rights to enforcement of the provisions.

(d) If the Rural Housing Service does not agree to accept a prepayment request or the borrower withdraws the prepayment request, the Rural Housing Service will provide a prepayment request cancellation notice to each tenant in the housing project. Borrowers must post copies of the prepayment request cancellation notice in the public areas throughout the housing project for a period of 60 days following the date of the prepayment request cancellation notice.

(e) If the borrower agrees to accept incentives and restrictive-use provisions, the Rural Housing Service will notify each tenant, in writing, of the agreement and a description of the restrictive-use provision.

(f) If a borrower agrees to sell a housing project involved in a prepayment request to a nonprofit organization or public body, the Rural Housing Service will notify each tenant, in writing, of the proposed sale to a nonprofit organization or public body and will explain the timeframes involved with the proposed sale, any potential impact on tenants, and the actions tenants may take to alleviate adverse impact if any. Borrowers must post copies of the Rural Housing Service's proposed sale notice in public areas throughout the housing project until the housing project is sold or the offer to sell is withdrawn.

(g) If a borrower is unable to sell a housing project involved in a prepayment request to a nonprofit organization or public body within 180 days as specified in § 3560.659, the Rural Housing Service will send a notice to each tenant in the housing project explaining the potential impact of the borrower's inability to sell the housing project on tenants and the actions tenants may take to alleviate any adverse impact. Borrowers must post the Rural Housing Service's notice in public areas throughout the housing project for a period of 60 days following the date of the notice. If a tenant applicant signs a lease in a housing project for which a prepayment request has been submitted, the borrower must provide the tenant with copies of all notifications provided to tenants by the Rural Housing Service or the borrower prior to the tenant's occupancy in the housing project.

#### **§ 3560.655 Rural Housing Service requested extension.**

Before accepting an offer to prepay from a borrower with a restricted loan, the Rural Housing Service must first make a reasonable effort to enter into a new restrictive-use agreement with the borrower. Under this agreement, the