

§ 3560.662 into the housing project's loan documents, deeds, and rental assistance agreements.

(2) If the incentive offer accepted includes an equity loan, the borrower must complete an application for the equity loan, and the borrower must continue to qualify as an eligible borrower or transferee in accordance with subpart B of this part.

(3) If the incentive offer accepted includes rent increases, the borrower must follow the rent increase requirements established in subpart E of this part.

(b) *Notification.* The Rural Housing Service will notify each tenant, in writing, of the restrictive-use agreement in accordance with § 3560.654(e).

(c) *Waiting lists.* If funds for components of incentive offers are limited, the Rural Housing Service will establish a waiting list of accepted incentive offers for funding in the date order that the complete prepayment request was received.

(d) *Unfunded incentive offers.* If the borrower accepts the incentive offer but the Rural Housing Service is unable to fund the incentive within 15 months, the borrower may choose one of the following actions.

(1) The borrower may offer to sell the housing project in accordance with § 3560.659. In this case the borrower will be removed from the list of borrowers awaiting incentives.

(2) The borrower may stay on the list of borrowers awaiting incentives until the borrower's incentive offer is funded. The Rural Housing Service will not negotiate the incentive offer; but, at a borrower's request, may adjust the incentive amount to reflect an updated appraisal, loan balance, and terms of third party financing.

(3) The borrower may withdraw the prepayment request and be removed from the list of borrowers awaiting incentives and continue operating the housing project for program purposes and in accordance with Rural Housing Service requirements. If the borrower chooses this option, the borrower may resubmit an updated prepayment request, at any time, and repeat the prepayment process in accordance within this subpart.

§ 3560.658 Borrower rejection of the incentive offer.

(a) If a borrower rejects the incentive package offered by the Rural Housing Service or a Rural Housing Service request to extended restrictive-use provisions, made in accordance with § 3560.662, the loan will only be prepaid if the borrower agrees to the following:

(1) The borrower agrees to sign restrictive-use provisions to extend restrictive-use by 10 years from the date of prepayment, and at the end of the restrictive-use period offer to sell the housing to a qualified nonprofit organization or public body in accordance with § 3560.659.

(2) If restrictive-use provisions are in place, the borrower will agree to sign the restrictive-use provisions, as determined by the Rural Housing Service, and at the end of the restrictive-use period offer to sell the housing to a qualified nonprofit organization or public body in accordance with § 3560.659.

(3) If restrictive-use provisions are not in place prior to prepayment, the borrower will offer to sell the housing to a qualified nonprofit organization or public body in accordance with § 3560.659, or

(b) The Rural Housing Service will assess the impact of prepayment on two factors: housing opportunities for minorities and the supply of decent, safe, sanitary, and affordable housing in the market area. If the Rural Housing Service determines that the prepayment will not have an adverse effect on housing opportunities for minorities but there is not an adequate supply of decent, safe, and sanitary rental housing affordable to program eligible tenant households in the market area, the loan may be prepaid only if the borrower agrees to sign restrictive-use provisions, as determined by the Rural Housing Service, to protect tenants at the time of prepayment.

(c) If the borrower agrees to the restrictive-use provisions, as determined by the Rural Housing Service, the applicable language must be included in the release documents and the borrower must execute a restrictive-use agreement acceptable to the Rural Housing Service and a deed restriction.

(d) If the borrower will not agree to applicable restrictive-use provisions, as determined by the Rural Housing Service, the borrower must offer to sell to a nonprofit or public body in accordance with § 3560.659.

§ 3560.659 Sale or transfer to nonprofit organizations and public bodies.

(a) *Sales price.* For the purposes of establishing a sales price when a borrower is required to sell a housing project to a nonprofit organization or public body, two independent "as is" market value appraisals will be completed, in accordance with subpart P of this part.

(1) The Rural Housing Service will also prepare the appropriate level of environmental review under the

National Environmental Policy Act to be completed in accordance with 7 CFR part 1940, subpart G prior to Rural Housing Service approval of a sale or transfer.

(2) The expense of the borrower's appraisal shall be borne by the borrower. The appraiser selected may not have an identity of interest with the borrower.

(3) If the two appraisers fail to agree on the fair market value, the Rural Housing Service and the borrower will jointly select an appraiser whose appraisal will be binding on the Rural Housing Service and the borrower. The Rural Housing Service and the borrower shall jointly fund the cost of the appraisal.

(b) *Marketing to nonprofit organizations and public bodies.* If a borrower must offer the property for sale to a nonprofit organization or public body under this paragraph, the borrower must take the following actions to inform appropriate entities of the sale.

(1) The borrower must advertise and offer to sell the project for a minimum of 180 days. The borrower may choose to suspend advertising and other sales efforts while eligibility of an interested purchaser is determined. If the purchaser is determined to be ineligible, the borrower must resume advertising for the balance of the required 180 days.

(2) The borrower must contact all nonprofit organizations and public bodies on a list maintained by the Rural Housing Service and may contact other nonprofit organizations and public bodies.

(3) The borrower must provide the nonprofit organizations and public bodies contacted with sufficient information regarding the housing project and its operations for interested purchasers to make an informed decision. The information provided must include the minimum value of the housing project based on the market value determined in accordance with paragraph (a) of this section.

(4) If an interested purchaser requests additional information concerning the housing project, the borrower must promptly provide the requested materials.

(c) *Preference for local nonprofit and public bodies.* Local nonprofit organizations and public bodies have priority over regional and national nonprofit organizations and public bodies. The borrower may not accept an offer from other than local nonprofit organizations or public bodies during the first 60 days that the property is advertised. If no offer from a local nonprofit organization or public body is received in the first 60 days, the