

borrower may accept an offer from a regional or national nonprofit organization or public body.

(d) *Eligible nonprofit organizations.* To be eligible to purchase properties under the conditions of this subpart, nonprofit organizations may not have among its officers or directorate any persons or parties with an identity-of-interest (or any persons or parties related to any person with identity-of-interest) in loans financed under section 515 that have been prepaid or have requested prepayment. In addition to local nonprofit organizations, eligible nonprofit organizations include regional or national nonprofit organizations or public bodies provided no part of the net earnings of which accrue to the benefit of any member, founder, contributor or individual.

(e) *Requirements for nonprofit organizations and public bodies.* To purchase and operate a housing project, a nonprofit organization or public body must meet the following requirements.

(1) The purchaser must agree to maintain the housing project for very low- and low-income families or persons for the remaining useful life of the housing and related facilities. However, currently eligible moderate-income tenants will not be required to move.

(2) The purchaser must agree that no subsequent transfer of the housing project will be permitted for the remaining useful life of the housing project unless the Rural Housing Service determines that the transfer will further the provision of housing for low-income households, or there is no longer a need for the housing project. Language to be included in the deed, conveyance instrument, loan resolution, and assumption agreement (as applicable) is provided in § 3560.662.

(3) The purchaser must demonstrate financial feasibility of the housing project including anticipated funding.

(4) The purchaser must certify to the Rural Housing Service that no identity-of-interest relationships exist in accordance with § 3560.102(g). The purchaser must not have any identity of interest with the seller or any borrower that has previously prepaid or requested prepayment of a Rural Housing Service MFH loan.

(5) The purchaser must complete a Rural Housing Service approved application and obtain Rural Housing Service approval in accordance with subpart B of this part.

(6) The purchaser must make a bona fide offer taking into consideration the value of the housing project as determined in accordance with paragraph (a) of this section.

(f) *Selection priorities.* If more than one qualified nonprofit organization or public body submits an offer to purchase the project at the same time, priority will be given to local nonprofit organizations and public bodies over regional and national nonprofit organizations or public bodies. When selecting between offers equally meeting all other criteria:

The borrower will first consider the success of the nonprofit organization's or public body's previous experience in developing and maintaining subsidized housing, with preference given to the most successful. If the offers continue to be equal, the borrower will then consider the number of years experience that the nonprofit organization or public body has had in developing and maintaining subsidized housing, with preference given to the greater number of years.

(g) *Loans made by the Rural Housing Service or other sources to nonprofit organizations and public bodies.* Rural Housing Service loans to nonprofit organizations or public bodies may be made for the purposes described in paragraphs (g)(1) and (2) of this section. Rural Housing Service loans will be processed in accordance with subpart B of this part. Loans from other sources will be approved by the Rural Housing Service in accordance with subpart I of this part.

(1) Rural Housing Service loans to nonprofit organizations or public bodies for the purchase of a housing project will be based on the appraised value determined in accordance with paragraph (a) of this section.

(2) With proper justification, a Rural Housing Service loan may be made to help the nonprofit organization or public body meet the housing project's first year operating expenses if there are insufficient funds in the housing project's general operating and expense account to meet such expenses. A Rural Housing Service loan, for the purpose of covering first year operating expenses, may not exceed 2 percent of the housing project's appraised value determined in accordance with paragraph (c) of this section.

(h) *Advances for nonprofit organizations and public bodies.* The Rural Housing Service may make advances, in accordance with section 502(c)(5)(c)(i), not in excess of \$20,000 to nonprofit organizations or public bodies that are purchasing housing under this subpart. Grant funds may be used to cover any direct costs other than the purchase price, incurred by nonprofit organizations or public bodies in purchasing and assuming responsibility for the housing project.

§ 3560.660 Acceptance of prepayments.

(a) The Rural Housing Service may accept prepayment if any of the following circumstances exist:

(1) Prepayment will be accepted if the Rural Housing Service determines that prepayment will not have an adverse impact on minorities; adequate, safe, decent and affordable housing is available; and tenants in the housing project will not experience a negative impact such as a change in rent or use, which results in increased net tenant contributions, displacements, or involuntary relocations.

(2) Prepayment may be accepted if the Rural Housing Service determines that prepayment will have an adverse impact on the tenants in the housing project, but:

(i) The borrower agreed to comply with restrictive-use provisions, as determined by the Rural Housing Service, after prepayment; or,

(ii) The borrower agreed to offer the housing project for sale to a nonprofit organization or public body in accordance with § 3560.659 and no bona fide offer was received within 180 days from the date that the housing project was advertised for sale to a nonprofit organization or public body, or a bona fide offer was received within 180 days from the advertisement date but the offeror was unable to fulfill the terms of the offer within 24 months of the offer date.

(b) When the Rural Housing Service agrees to accept prepayment, the Rural Housing Service will notify borrowers, in writing, of the conditions under which the Rural Housing Service will accept prepayment including the specific restrictive-use provisions to which the borrower has agreed and the date by which the borrower must make the prepayment.

(1) Prepayment must be made 180 days from the date of the Rural Housing Service's prepayment acceptance notice to the borrower.

(2) If the borrower's prepayment is not received within 180 days of the prepayment acceptance notice and the Rural Housing Service has not agreed to an alternative date based on a written request from the borrower, the Rural Housing Service may cancel the prepayment acceptance agreement.

(c) Tenants will be notified of the prepayment acceptance agreement in accordance with § 3560.654(c).

(d) If a prepayment is anticipated to result in increased net tenant contributions, displacements or involuntary relocations, the tenants, who are affected by such a circumstance, may request a Letter Of Priority Entitlement (LOPE) in