

Restrictive-Use Agreement which sets forth certain requirements for operation of the project for the benefit of low- and moderate-income people in conformance with applicable Rural Housing Service regulations. (Name of Owner) understands that failure to operate the project in conformance with the restrictive-use provisions may cause a tenant or the United States to seek enforcement of the provisions.

Date: \_\_\_\_\_  
 Owner: \_\_\_\_\_  
 By: \_\_\_\_\_  
 (Title)

(h) *Current Tenants Restrictive-Use Provisions.* These provisions are used when the owner enters into an agreement that no current tenants will be displaced due to a change in the use of the housing or an increase in rental or other charges, as a result of prepayment, for as long as the current tenants wish to remain at the project. The provisions may only be used if it is determined by the Rural Housing Service that the conditions specified in this subpart, addressing the effect of prepayment on minorities, handicapped individuals, and families with children in the project and market area, can be met, allowing an exception from the requirement to offer the project to sale to a nonprofit organization or public body. The borrower will also be required to execute the Restrictive-Use Agreement herein contained.

(Name of Borrower), herein referred to as owner, and any successors in interest agree to use the (Name of Project), herein referred to as housing, for the purpose of housing low- and moderate-income people occupying the project at the time the prepayment was accepted, as required in 7 CFR part 3560, subpart N, and other applicable Rural Housing Service regulations then in existence. No eligible person occupying the housing shall be required to vacate prior to the end of the remaining useful life of the project without cause. Rents, other charges, and conditions of occupancy will be established to meet these conditions for these tenants such the effect will not differ from what would have been, had the project remained in the Rural Housing Service program. Existing tenants are protected to ensure that none experience new or increased rent overburden as a result of owner actions until each voluntarily moves from the project. The owner also agrees to keep a notice posted at the project in a visible place available for tenant inspection, for the remaining useful life of the project or until the last existing tenant voluntarily vacates. The notice will state that the project is to be used in accordance with sections 514 and 515 of title V of the Housing Act of 1949, and that management practices and rental rates will be consistent with those necessary to maintain the project for low- and moderate-income tenants. A tenant may seek enforcement of this provision, as well as the United States.

Furthermore, the owner agrees to be bound by the applicable provisions of 7 CFR part 1930, subpart C, specific to tenant rights and relations for the remaining useful life of the project or until the last existing tenant voluntarily vacates the project. The owner agrees to be responsible for ensuring that rental procedures, verification and certification of income and employment, lease agreements, rents or occupancy charges, and termination and eviction remain consistent with the provisions contained in 7 CFR part 1930, subpart C, and to adhere to applicable local, state, and Federal laws. The owner agrees to obtain Rural Housing Service concurrence with any changes to the preceding rental procedures that may deviate from those approved at the time of prepayment, prior to implementing the changes. Any changes proposed must be consistent with the objectives of the program and the regulations. Documentation, including annual income recertifications, shall be maintained to evidence compliance in the event there is a future complaint or audit. The owner must be able to document that rents are established at appropriate levels. The owner agrees to make the documentation available for Rural Housing Service inspection upon request. The owner and any successors in interest agree to provide the following signed and dated certification to the applicable Rural Housing Service Servicing Office or other designated office within 30 days of the beginning of each calendar year until the last existing tenant voluntarily vacates the project:

(Name of Owner) certifies that (Name of Project) is being operated in compliance with the restrictive-use provisions and the Restrictive-Use Agreement (herein contained) which sets forth certain requirements for operation of the project for the benefit of low- and moderate-income people in conformance with applicable Rural Housing Service regulations. (Name of Owner) understands that failure to operate the project in conformance with the restrictive-use provisions may cause a tenant or the United States to seek enforcement of the provisions.

**§ 3560.663 Post-payment responsibilities for loans subject to continued restrictive-use provisions.**

(a) If a borrower prepays a loan and the housing project remains subject to restrictive-use provisions, the requirements of this section apply after prepayment.

(b) Owners of prepaid housing projects will be responsible for ensuring that the restrictive-use provisions agreed to as a condition of prepayment are observed.

(c) Owners must maintain appropriate documentation to demonstrate compliance with the restrictive-use provisions and must make the documentation and the housing project site available for Federal Government inspection upon request.

(1) Owners must document rent increases in accordance with subpart G of this part.

(2) Owners must document tenant eligibility in accordance with § 3560.152.

(3) In an Agency approved format, owners must provide the agency with a signed and dated certification within 30 days of the beginning of each calendar year for the full period of the restrictive-use provisions establishing that the restrictive-use provisions are being met.

(d) Owners must observe Agency policies on tenant grievances as described in § 3560.160.

(e) The Agency may enforce restrictive-use provisions through administrative and legal actions.

**§§ 3560.664–3560.699 [Reserved]**

**§ 3560.700 OMB control number. [Reserved]**

**Subpart O—Unauthorized Assistance**

**§ 3560.701 General.**

(a) This subpart contains the policies for recapturing unauthorized assistance when the Agency determines that a borrower or tenant was ineligible for, or improperly used, assistance received from the Agency.

(b) The Agency may seek repayment of any unauthorized assistance provided to a borrower or tenant, plus the cost of collection, regardless of whether the unauthorized assistance was due to errors by the Agency, the borrower, or the tenant. Borrowers are expected to:

(1) Request explanations from tenants for any assistance considered to be unauthorized because of inaccurate information supplied by the tenant.

(2) Issue demand for repayment of an amount certain by a date certain for unauthorized assistance. The demand notice must include the right of a tenant to challenge the accuracy of the information relied upon. Such challenges will be conducted under the provisions of § 3560.160.

(3) Initiate and pursue eviction should tenants not timely exercising their right to challenge the accuracy of the information or should the borrower determine that the information provided warrants recapture of unauthorized assistance and the tenant is unwilling or unable to provide timely repayment. The Agency must be timely notified of all evictions initiated and the status of such actions.

(4) Notify the Agency of amounts of unauthorized assistance scheduled to be repaid, actually repaid, or refused to be repaid. The Agency must be notified of any unauthorized assistance which is not being timely repaid by tenants. The Agency reserves the right to pursue collection of amounts not timely paid by tenants.