

following events or conditions shall constitute substantial default.

(1) HUD may determine that events have occurred or that conditions exist that constitute a substantial default if a PHA is determined to be in violation of federal statutes, including but not limited to the Act, or in violation of regulations implementing such statutory requirements, whether or not such violations would constitute a substantial breach or default under provisions of the PHA's ACC.

(2) HUD may determine that a PHA's failure to execute an MOA or satisfy the terms of an MOA entered into pursuant to § 902.75, or to make reasonable progress to execute or meet requirements included in an MOA, are events or conditions that constitute a substantial default.

(3) HUD shall determine that a Grade F PHA that does not show substantial improvement, as described in § 902.75(f), is in substantial default.

(4) HUD may determine that a substantial breach or default in the terms and conditions of the PHA's ACC constitutes a substantial default.

(b) *Scope of substantial default.* HUD may determine that the events or conditions constituting a substantial default are limited to a portion of a PHA's public housing operations, designated either by program, by operational area, or by property(ies).

(c) *Notification of substantial default and response.* In the event of substantial default described in paragraph (a) of this section or if information from an annual assessment, audit, or any other credible source (including, but not limited to, the Office of Fair Housing Enforcement, the OIG, a court order, or a referral from a mayor or other official) indicates that events or conditions may exist that constitute a substantial default or breach, HUD shall perform an independent investigation. Upon a determination or finding, HUD shall advise a PHA of such substantial default or of such information. HUD is authorized to protect the confidentiality of the source(s) of such information in appropriate cases.

(1) *Form of notification.* Except in the case of apparent fraud or criminality, and/or in the case of an emergency condition that poses an imminent threat to the life, health, or safety of residents, the Assistant Secretary shall provide written notification to the PHA of the determination or finding that events have occurred or that conditions exist that constitute substantial default. Before taking further action, HUD shall provide the PHA an opportunity to take corrective action, including the remedies and procedures available to

PHAs designated Grade F. The written notification shall be transmitted to the Executive Director, the Chairperson of the Board, and the appointing authority(ies) of the Board. The written notification shall include, but is not limited to:

(i) Identification of the specific covenants, conditions, and/or agreements under which the PHA is determined to be in noncompliance;

(ii) Identification of the specific events, occurrences, or conditions that constitute the determined noncompliance;

(iii) Identification of the information, referrals, and opportunities to initiate corrective action;

(iv) Identification of a specific time period of not less than 10 days (except in cases of apparent fraud or other criminal behavior, and/or under emergency conditions) nor more than 30 days, during which the PHA shall be required to demonstrate that the determination or finding is not substantively accurate; and

(v) A statement indicating that, absent a satisfactory response in accordance with paragraph (c)(2) of this section, HUD will take action, using any or all of the interventions specified in § 902.83 and determined to be appropriate to remedy the noncompliance, citing § 902.83, and any additional authority.

(2) *Receipt of notification.* Upon receipt of the notification, the PHA must demonstrate, within the time period permitted in the notification, factual error(s) in HUD's description of events, occurrences, or conditions, or show that the events, occurrences, or conditions do not constitute noncompliance with the statute, regulation, covenants, or conditions.

(3) *Waiver of notification.* A PHA may waive, in writing, receipt of written notice from HUD of a finding of substantial default, and voluntarily consent to a determination of substantial default. The PHA shall concur on the existence of substantial default conditions that can be remedied by technical assistance, and the PHA shall provide HUD with written assurance that the PHA shall address all deficiencies. HUD shall then immediately proceed with interventions as provided in § 902.83.

(d) *Emergency situations.* In any situation determined to be an emergency, or in any case when the events or conditions precipitating the intervention are determined to be the result of criminal or fraudulent activity, the Secretary or the Secretary's designee is authorized to intercede to protect the residents' and HUD's interests by

causing the proposed interventions to be implemented without appeals or delays.

§ 902.83 Interventions.

(a) If HUD determines that a substantial default exists under this part, HUD may initiate any interventions deemed necessary to maintain dwellings that are decent, safe, sanitary and in good repair for the residents. Interventions under this part (including an assumption of operating responsibilities) may be limited to one or more of a PHA's operational areas (e.g., maintenance, modernization, occupancy, or financial management) or to a single public housing property or a group of properties. Under this limited intervention procedure, HUD may select, or participate in the selection of, an AME to assume management responsibility for a specific property, a group of properties in a geographical area, or a specific operational area. During the limited intervention procedure, the PHA retains responsibility for all programs, operational areas, and properties not subject to the intervention.

(b) Interventions may include:

(1) Providing technical assistance for existing PHA management staff;

(2) Selecting or participating in the selection of an AME to provide technical assistance or other services up to and including contract management of all or any part of the public housing properties administered by a PHA;

(3) Assuming possession and operational responsibility for all or any part of the public housing administered by a PHA;

(4) Entering into agreements, arrangements, and/or contracts for or on behalf of a PHA, or acting as the PHA, and expending or authorizing the expenditure of PHA funds, irrespective of the source of such funds, to remedy the events or conditions constituting the substantial default;

(5) Providing intervention and assistance necessary to remedy emergency conditions;

(6) Selecting an administrative receiver to manage and operate all or part of the PHA's housing after soliciting competitive proposals; and

(7) Petitioning for the appointment of a receiver to any District Court of the United States or any court of the state in which real property of the PHA is located.

(c) The receiver is to conduct the affairs of the PHA:

(1) In a manner consistent with statutory, regulatory, and contractual obligations of the PHA;