

amended, which prohibits discrimination in employment by making it unlawful for employers to engage in certain discriminatory practices, excludes Indian tribes from the nondiscrimination requirements of Title VII. See also § 950.175(c.)

(b) *Wage rates.* See § 950.120 (c) and (d) with respect to the wage rates applicable to IHA employees.

Subpart E—Mutual Help Homeownership Opportunity Program

§ 950.401 Scope and applicability.

(a) *Scope.* This subpart sets forth the requirements for the Mutual Help (MH) Homeownership Opportunity Program. For any matter not covered in this subpart, see other subparts contained in this part. Projects developed under the Self-Help development method shall comply with the requirements of subparts E and F of this part.

(b) *Applicability.* The provisions of this subpart are applicable to all MH projects placed under ACC on or after March 9, 1976, and to projects converted in accordance with §§ 950.455 or 950.503.

§ 950.416 Selection of MH homebuyers.

(a) *Admission policies.* (1) *Low-income families.* An IHA's written admission policies for the MH program, adopted in accordance with § 950.301, shall limit admission to low-income families.

(i) An IHA may provide for admission of applicants whose family income exceeds the levels established for low-income families if the IHA demonstrates to HUD's satisfaction that there is a need to house such families that cannot reasonably be met except under this program.

(ii) The number of dwelling units in any project assisted under the MH program that may be occupied by or reserved for families whose incomes exceed the levels established for low-income families (i.e., applicants admitted under paragraph (a)(1)(i) of this section) may not exceed whichever of the following is higher:

(A) Ten percent of the dwelling units in the project; or

(B) Five dwelling units.

(2) An IHA may establish criteria in its Admissions and Occupancy Policy

for admission of a non-Indian applicant in circumstances where the IHA determines the presence of the family is essential to the well-being of Indian families and the need for housing for the family cannot reasonably be met except under this program.

(3) *Different standards for MH program.* The IHA's admission policies for MH projects should be different from those for its rental or Turnkey III projects. The policies for the MH program should provide standards for determining a homebuyer's:

(i) Ability to provide maintenance for the unit;

(ii) Potential for maintaining at least the current income level;

(iii) Successor to a unit at the time of an "event" ("event" should also be defined by the IHA in its policy; see § 950.449(a)); and

(iv) Initial purchase price and the purchase price for a subsequent homebuyer.

(b) *Ability to meet homebuyer obligations.* A family shall not be selected for MH housing unless, in addition to meeting the income limits and other requirements for admission (see § 950.301), the family is able and willing to meet all obligations of an Mutual Help and Occupancy (MHO) Agreement, including the obligations to perform or provide the required maintenance, to provide the required MH Contribution, and to pay for utilities and the administration charge.

(c) *MH waiting list.* (1) Families who wish to be considered for MH housing shall apply specifically for such housing. A family on any other IHA waiting list, or a tenant in a rental project of the IHA, shall also submit an application in order to be considered for an MH project; and

(2) The IHA shall maintain a waiting list, separate from any other IHA waiting list, of families that have applied for MH housing and meet the admission requirements. The IHA shall maintain an MH waiting list in accordance with requirements prescribed by HUD and shall make selections in the order in which they appear on the list.

(d) *Making the selections.* Within 30 days after HUD approval of the application for a project, the IHA shall proceed with preliminary selection of as

many homebuyers as there are homes in the project. Preliminary selection of homebuyers shall be made from the MH waiting list in accordance with the date of application; qualification for a Federal preferences, ranking preferences, and local preferences, in accordance with §§950.303 through 950.307; other pertinent factors under the IHA's admissions policies established in accordance with §950.301; and part 5, subpart B, of this title. Final selection of a homebuyer will be made only after the site for that homebuyer has received final site approval, and the form of MH contribution has been determined.

(e) *Principal residence.* A condition for selection as a homebuyer is that the family agrees to use the home as their principal residence during the term of the MHO Agreement. Ownership or use of an additional residence that is decent, safe, and sanitary at the time of occupancy or acquisition during occupancy would disqualify a family from the MH program. However, there are two situations that do not violate the principal residence requirement. First, ownership or use of a secondary home that is necessary for the family's livelihood or for cultural preservation, as solely determined by the IHA and described in the IHA's admission and occupancy policy, is acceptable. Second, a family's temporary absence from its MH home, and related subleasing of it, is acceptable if it is done for reasons and time periods prescribed in the IHA's admission and occupancy policy.

(f) *Notification of applicants.* The IHA shall give families prompt written notice of selection for a MH home.

[60 FR 18186, Apr. 10, 1995, as amended at 61 FR 11119, Mar. 18, 1996]

§950.419 MH contribution.

(a) *Amount and form of contribution.* As a condition of occupancy, the MH homebuyer will be required to provide an MH contribution. Contributions other than labor may be made by an Indian tribe on behalf of a family.

(1) The value of the contribution shall not be less than \$1500.

(2) The MH contribution may consist of land, labor, cash, materials, equipment, or any combination thereof. Land contributed to satisfy this re-

quirement shall be owned in fee simple by the homebuyer or shall be assigned or allotted to the homebuyer for his or her use before application for an MH unit. Contributions of land donated by another person on behalf of the homebuyer will satisfy the requirement for an MH contribution. A homebuyer may provide cash to satisfy the MH contribution requirement where the cash is used for the purchase of land, labor, materials, or equipment for the homebuyer's home.

(3) The amount of credit for an MH contribution in the case of land, labor, materials, or equipment shall be based upon the market value at the time of the contribution. In the case of labor, materials, or equipment, market value shall be determined by the contractor and the IHA. In the case of land, market value shall be determined by the IHA. (See §950.245). The use of labor, materials, or equipment as MH contributions shall be reflected by a reduction in the Total Contract Price stated in the Construction Contract.

(b) *Execution of Agreements.* For projects other than Self-Help development projects, MHO Agreements should be signed for all units before execution of the construction contract for the project. Land leases for trust land shall be signed and approved by BIA before construction start.

(c) *Total contribution to be furnished before occupancy.* The homebuyer cannot occupy the unit until the entire MH contribution is provided to the IHA. If the homebuyer is unable or unwilling to provide the MH contribution before occupancy of the project, the MHO Agreement for the homebuyer shall be terminated and the IHA shall select a substitute homebuyer from its waiting list.

(d) *MH contribution in event of substitution of homebuyer.* If an MHO Agreement is terminated and a substitute homebuyer is selected, the amount of MH contribution to be provided by the substitute homebuyer shall be in accordance with paragraph (a) of this section. The substitute homebuyer may not occupy the unit until the complete MH contribution has been made.

(e) *Disposition of contribution.* If an MHO Agreement is terminated by the IHA or the homebuyer before the date

of occupancy, the homebuyer may receive reimbursement of the value of the MH contribution made plus other amounts contributed by the homebuyer, in accordance with § 950.446.

§ 950.422 Commencement of occupancy.

(a) *Notice.* (1) Upon acceptance of the home by the IHA from the contractor, the IHA shall determine whether the homebuyer has met all requirements for occupancy, including satisfaction in full of the MH contribution, and fulfillment of mandatory homebuyer counseling requirements. (See § 950.453.) The IHA shall notify the homebuyer in writing that the home is available for occupancy as of a date specified in the notice.

(2) If the IHA determines that the homebuyer has not met any of the other conditions for occupancy by the date of occupancy, the IHA shall send the homebuyer a notice in writing. This notice shall specify the date by which all requirements shall be satisfied and shall advise the homebuyer that the MHO Agreement will be terminated and a substitute homebuyer selected for the unit if the requirements are not satisfied.

(b) *Credits to MH accounts and reserves.* Promptly after the date of occupancy, the IHA shall credit the amount of the MH contribution to the homebuyer's accounts and reserves in accordance with § 950.437 and shall give the homebuyer a statement of the amounts so credited.

§ 950.425 Inspections, responsibility for items covered by warranty.

(a) *Inspection before move-in and identification of warranties.* (1) To establish a record of the condition of the home on the date of occupancy, the IHA shall include the homebuyer in all inspection activities (See § 950.270).

(2) Within 30 days of commencement of occupancy of each home, the IHA shall furnish the homebuyer with a list of applicable contractors', manufacturers', and suppliers' warranties, indicating the items covered and the periods of the warranties, and stating the homebuyer's responsibility for notifying the IHA of any deficiencies that would be covered under the warranties.

(b) *Inspections during contractors' warranty periods, responsibility for items covered by contractors', manufacturers', or suppliers' warranties.* It is the responsibility of the homebuyer during the period of the applicable warranties, to promptly inform the IHA in writing of any deficiencies arising during the warranty period (including manufacturers' and suppliers' warranties) so that the IHA may enforce any rights under the applicable warranties. If a homebuyer fails to furnish such a written report in time, and the IHA is subsequently unable to obtain redress under the warranty, correction of the deficiency shall be the responsibility of the homebuyer.

(c) *Inspection upon termination of Agreement.* If the MHO Agreement is terminated for any reason after commencement of occupancy, the IHA shall inspect the home after notifying the homebuyer of the time for inspection and shall give the homebuyer a written statement of the cost of any maintenance work required to put the home in satisfactory condition for the next occupant (see § 950.446).

(d) *Homebuyer permission for inspections; participation in inspections.* The homebuyer shall permit the IHA to inspect the home at reasonable hours and intervals during the period of the MHO Agreement in accordance with rules established by the IHA. The homebuyer shall be notified of the opportunity to participate in the inspection made in accordance with this section.

§ 950.426 Homebuyer payments before March 9, 1976.

The amount of the required monthly payment for a homebuyer in an MH project placed under ACC before March 9, 1976 is determined in accordance with the MHO Agreement and provisions of §§ 950.315 and 950.102 concerning income. Utility reimbursements are not applicable to the Mutual Help program.

§ 950.427 Homebuyer payments for projects under ACC on or after March 9, 1976.

(a) *Establishment of payment.* (1) Each homebuyer shall be required to make a monthly payment (required monthly payment) as determined by the IHA.

The minimum required monthly payment shall equal the administration charge.

(2) Subject to the requirement for payment of at least the administration charge, each homebuyer shall pay an amount of required monthly payment computed by:

(i) Multiplying adjusted income (determined in accordance with §950.102) by a specified percentage. The specific percentage shall be no less than 15 percent and no more than 30 percent, as determined by the IHA; and

(ii) Subtracting from that amount the utility allowance determined for the unit.

(3) The IHA shall provide that the required monthly payment may not be more than a maximum amount. The maximum shall not be less than the sum of:

(i) The administration charge; and

(ii) The monthly debt service amount shown on the homebuyer's purchase price schedule.

(4) If the required monthly payment exceeds the administration charge, the amount of the excess shall be credited to the homebuyer's monthly equity payments account (see §950.437(b)).

(b) *Administration charge.* The administration charge may be based on differences in expenses attributable to different sizes or types of units.

(c) *Adjustments in the amount of the required monthly payment.* (1) After the initial determination of a homebuyer's required monthly payment, the IHA shall increase or decrease the amount of such payment in accordance with HUD regulations to reflect changes in adjusted income (pursuant to a reexamination by the IHA in accordance with §950.315), adjustments in the administration charge, or in any of the other factors affecting computation of the homebuyer's required monthly payment.

(2) In order to accommodate wide fluctuations in required monthly payments due to seasonal conditions, an IHA may agree with the homebuyer for payments to be made in accordance with a seasonally adjusted schedule that assures full payment of the required amount for each year.

(d) *Homebuyer payment collection policy.* Each IHA shall establish and adopt

written policies to obtain prompt payment and collection of required homebuyer payments. A copy of the policies shall be posted prominently in the IHA office, and shall be provided to a homebuyer upon request.

§950.428 Maintenance, utilities, and use of home.

(a) *General.* Each IHA shall establish and adopt written policies to assure full performance of the respective maintenance responsibilities of the IHA and homebuyers. A copy of such written policies shall be posted prominently in the IHA office, and shall be provided to an applicant or homebuyer upon entry into the program and upon request.

(b) *Provisions for MH projects.* The written maintenance policies shall contain provisions on at least the following subjects:

(1) The responsibilities of homebuyers for maintenance and care of their dwelling units and common property;

(2) Procedures for providing advice and technical assistance to homebuyers to enable them to meet their maintenance responsibilities;

(3) Procedures for IHA inspections of homes and common property;

(4) Procedures for IHA performance of homebuyer maintenance responsibilities (if homebuyers fail to satisfy such responsibilities), including procedures for charging the homebuyer's proper account for the cost thereof;

(5) Special arrangements, if any, for obtaining maintenance services from outside workers or contractors; and

(6) Procedures for charging homebuyers for damage for which they are responsible.

(c) *IHA responsibility in MH projects.* The IHA shall enforce the provisions of a MHO Agreement for homebuyer maintenance of the home. Failure of a homebuyer to meet the obligations for maintenance shall not relieve the IHA of responsibility in this respect. The IHA shall conduct a complete interior and exterior examination of each home on a schedule developed by the IHA that ensures that the home is maintained in decent, safe, and sanitary condition and shall furnish a copy of

the inspection report to the homebuyer. The IHA shall take appropriate action, as needed, to remedy conditions shown by the inspection, including steps to assure performance of the homebuyer's obligations under the homebuyer's Agreement.

(d) *Homebuyer responsibility in MH program.* (1) The homebuyer shall be responsible for routine and nonroutine maintenance of the home, including all repairs and replacements (including those resulting from damage from any cause). The IHA shall not be obligated to pay for or provide any maintenance of the home, except as determined necessary in paragraph (d)(2) of this section.

(2) *Homebuyer's failure to perform maintenance.* (i) Failure of the homebuyer to perform maintenance obligations constitutes a breach of the MHO Agreement and grounds for its termination.

(ii) If the IHA determines that the condition of the property creates a hazard to the life, health, or safety of the occupants, or if there is a risk of damage to the property if the condition is not corrected, the corrective work shall be done promptly by the IHA with such use of the homebuyer's accounts as the IHA may determine to be necessary, or by the homebuyer with a charge of the cost to the homebuyer's accounts in accordance with § 950.437.

(iii) Any maintenance work performed by the IHA shall be accounted for through a work order stating the nature of and charge for the work. The IHA shall give the homebuyer copies of all work orders for the home.

(e) *Homebuyer's responsibility for utilities.* The homebuyer is responsible for the cost of furnishing utilities. The IHA shall have no obligation for the utilities. If the IHA determines that the homebuyer is unable to pay for the utilities for the home the IHA may pay for the utilities on behalf of the homebuyer and charge the homebuyer's accounts for the costs. When the homebuyer's accounts have been exhausted, the IHA shall pursue termination of the homebuyer Agreement and may offer the homebuyer a transfer into the rental program if a unit is available.

(f) *Obligations with respect to home and other persons and property.* (1) The

homebuyer shall agree to abide by all provisions of the MHO Agreement concerning homebuyer responsibilities, occupancy, and use of the home.

(2) The homebuyer may request IHA permission to operate a small business in the unit. An IHA may determine when permission will be given.

(g) *Structural changes.* (1) A homebuyer shall not make any structural changes in or additions to the home unless the IHA has determined that such changes are acceptable.

(2) If the homebuyer is in compliance with the terms of the MHO Agreement, the IHA may agree to allow the homebuyer to use the funds in the MEPA for betterments and additions to the MH home. The IHA shall determine whether the homebuyer will be required to replenish the MEPA or if the funds are to be loaned to the homebuyer at an interest rate determined by the IHA. The homebuyer cannot use MEPA funds for luxury items, as determined by the IHA.

§ 950.431 Operating reserve.

The IHA shall maintain an operating reserve in an amount sufficient for working capital purposes, estimated future nonroutine maintenance requirements for IHA-owned administrative facilities and common property, payment of advance premiums for insurance, unanticipated project requirements, and other eligible uses as determined by the IHA. The amount of a contribution to this reserve shall be determined by the IHA and included in the administration charge. The amount of this contribution shall be increased or decreased annually to reflect the needs of the IHA for working capital and for reserves for anticipated future expenditures, and it shall be included in the operating budget.

§ 950.432 Operating budget submission and approval.

(a) *Required documentation.* (1) An IHA shall prepare an operating budget each fiscal year in a manner prescribed by HUD. The board of commissioners shall review and approve the budget by resolution. Each fiscal year, the IHA shall submit to the Area ONAP the approved board resolution and any necessary supporting documentation for

operating subsidy as prescribed by HUD.

(2) The Area ONAP may direct an IHA to submit a complete operating budget if the IHA has been issued a corrective action order with respect to financial management. If such action is necessary, the Area ONAP will notify the IHA prior to the beginning of the fiscal year.

(b) *HUD operating budget review.* (1) A detailed review will be performed on IHA operating budgets that are subject to HUD review and approval. If the HUD Area ONAP finds that an operating budget is incomplete, includes illegal or ineligible expenditures, mathematical errors, errors in the application of accounting procedures, or is otherwise unacceptable, the HUD Area ONAP may at any time require the submission by the IHA of further information regarding an operating budget or operating budget revision.

(2) When the IHA no longer is operating in a manner that threatens the future serviceability, efficiency, economy, or stability of the housing, HUD will notify the IHA that it no longer is required to submit an operating budget to HUD for review and approval.

§950.434 Operating subsidy.

(a) *Scope.* This section authorizes the use of operating subsidy for Mutual Help projects and establishes eligible costs.

(b) *Eligible costs.* Operating subsidy may be paid to cover proposed expenditures approved by the Area ONAP for the following purposes:

(1) The reasonable cost of an annual independent audit;

(2) Administration charges for vacant units when the IHA submits evidence to the Area ONAP's satisfaction that it is making every reasonable effort to fill the vacancies;

(3) Collection losses due to payment delinquencies on the part of homebuyer families whose MHO Agreements have been terminated and who have vacated the home, and the cost of any maintenance (including repairs and replacements) necessary to put the vacant home in a suitable condition for a subsequent homebuyer family. Operating subsidy may be made available for these purposes only after the IHA has

previously used all available homebuyer credits;

(4) An amount for the cost of a HUD-approved counseling program;

(5) An amount for training and related travel of IHA staff and Commissioners;

(6) The costs of a HUD-approved professional management contract; and

(7) Operating costs resulting from other unusual circumstances justifying payment of operating subsidy, if approved by HUD.

(8) Subject to appropriations, and in accordance with the provisions of subpart O of this part and procedures determined by HUD, each IHA with a duly elected resident organization (RO) shall receive \$25 per unit per year for resident participation activities. Of this amount, \$15 per unit per year shall fund resident participation activities of the RO. Ten dollars per unit per year shall fund IHA costs incurred in carrying out resident participation activities.

(c) *Ineligible costs.* No operating subsidy shall be paid for utilities, maintenance, or other items for which the homebuyer is responsible except, as necessary, to put a vacant home in condition for a subsequent family as provided in paragraph (b)(2) of this section.

§950.437 Homebuyer reserves and accounts.

(a) *Refundable and nonrefundable MH reserves.* The IHA shall establish separate refundable and nonrefundable reserves for each homebuyer effective on the date of occupancy.

(1) The refundable MH reserve represents a homebuyer's interest in funds that may be used to purchase the home at the option of the homebuyer. The IHA shall credit this account with the amount of the homebuyer's cash MH contribution or the value of the labor, materials, or equipment MH contribution.

(2) The nonrefundable MH reserve also represents a homebuyer's interest in funds that may be used to purchase the home at the option of the homebuyer. The IHA shall credit this account with the amount of the homebuyer's share of any credits for land contributed to the project and the

homebuyer's share of any credit for non-land contributions by a terminated homebuyer.

(b) *Equity accounts.* (1) Monthly equity payments account (MEPA). The IHA shall maintain a separate MEPA for each homebuyer. The IHA shall credit this account with the amount by which each required monthly payment exceeds the administration charge. Should the homebuyer fail to pay the required monthly payment, the IHA may elect to reduce the MEPA by the amount owed each month towards the administration charge, until the MEPA has been fully expended. The MEPA balance shall be comprised of an amount backed by cash actually received in order for any such reduction to be made.

(2) *Investment of equity funds.* (i) Funds held by the IHA in the equity accounts of all the homebuyers in the project shall be invested in HUD-approved investments. Income earned on the investments of such funds shall periodically, but at least annually, be prorated and credited to each homebuyer's equity account in proportion to the amount in each such account on the date of proration. If HUD determines that accounts are not properly managed it may ultimately remove responsibility of the IHA for managing such accounts to a HUD-approved escrow agent.

(ii) Notwithstanding other provisions of this subpart and subject to Area ONAP approval, an IHA may use a portion of the homebuyer's equity account for low-income housing purposes provided that a reserve of homebuyer's MEPA is maintained. The reserve shall be at a percentage established by the IHA and approved by the Area ONAP. (Interest shall continue to be credited to the homebuyer's account based on the MEPA balance and the rate of interest that would have been earned if the funds were invested.)

(c) *Charges for maintenance.* If the IHA has maintenance work done, the cost thereof shall be charged to the homebuyer's MEPA.

(d) *Use of reserves and accounts; non-assignability.* The homebuyer shall have no right to receive or use the funds in any reserve or account except as provided in the MHO Agreement, and the

homebuyer shall not, without approval of the IHA and HUD, assign, mortgage, or pledge any rights in the MHO Agreement or to any reserve or account.

[60 FR 18201, Apr. 10, 1995; 60 FR 36668, July 18, 1995]

§ 950.440 Purchase of home.

(a) *General.* The IHA provides the family an opportunity to purchase the dwelling under the MHO Agreement (a lease with an option to purchase), under which the purchase price is amortized over the period of occupancy, in accordance with a purchase price schedule. If a homebuyer wants to acquire ownership in a shorter period than that shown on the purchase price schedule, the homebuyer may exercise his or her option to purchase the home on or after the date of occupancy, but only if the homebuyer has met all obligations under the MHO Agreement. The homebuyer may obtain financing, from the IHA or an outside source, at any time to cover the remaining purchase price.

(b) *Purchase price and purchase price schedule.* (1) *Initial purchase price.* The initial purchase price of a home for a homebuyer shall be determined by the IHA.

(2) *Purchase price schedule.* Promptly after execution of the construction contract, the IHA shall furnish to the homebuyer a statement of the initial purchase price of the home, and a purchase price schedule that will apply, based on amortizing the balance (purchase price less the MH contribution) over a period, not less than 15 years or more than 25 as determined by the IHA, at an interest rate determined by the IHA. The IHA may choose to forego charging interest and calculate the payment with an interest rate of zero.

(c) *Purchase price schedule for subsequent homebuyer.* (1) *Initial purchase price.* When a subsequent homebuyer executes the MHO Agreement, the purchase price for the subsequent homebuyer shall be determined by the IHA.

(2) *Purchase price schedule.* Each subsequent homebuyer shall be provided with a purchase price schedule, showing the monthly declining purchase price over a period, not less than 15

years or more than 25 years as determined by the IHA, at an interest rate determined by the IHA.

(d) [Reserved]

(e) *Conveyance of home.* (1) *Purchase procedure.* In accordance with the MHO Agreement, the IHA shall convey title to the homebuyer when the balance of the purchase price can be covered from the amount in the equity account. The homebuyer may supplement the amount in the equity account with reserves or any other funds of the homebuyer. Notwithstanding the requirement for prompt conveyance, an IHA may delay conveyance long enough for modernization of a paid-off unit in accordance with its Comprehensive Plan or CIAP application. Until title is conveyed, the homebuyer is responsible to make monthly payments to cover the monthly operating expenses for the unit.

(2) *Amounts to be paid.* The purchase price shall be the amount shown on the purchase price schedule for the month in which the settlement date falls.

(3) *Settlement costs.* Settlement costs shall be paid by the homebuyer, who may use equity accounts or reserves available for the purchase in accordance with paragraph (e)(4) of this section.

(4) *Disposition of homebuyer accounts and reserves.* When the homebuyer purchases the home, the net credit balances in the homebuyer's equity account (as described in §950.437), supplemented by the nonrefundable MH reserve and then the refundable MH reserve, shall be applied in the following order:

(i) For the initial payment for fire and extended coverage insurance on the home after conveyance, if the IHA finances purchase of the home in accordance with §950.443;

(ii) For settlement costs, if the homebuyer so directs;

(iii) For the purchase price; and

(iv) The balance, if any, for refund to the homebuyer.

(5) *Settlement.* A home shall not be conveyed until the homebuyer has met all the obligations under the MHO Agreement, except as provided in §950.440(e)(8). The settlement date shall be mutually agreed upon by the parties. On the settlement date, the home-

buyer shall receive the documents necessary to convey to the homebuyer the IHA's right, title, and interest in the home, subject to any applicable restrictions or covenants as expressed in such documents. The required documents shall be approved by the attorneys representing the IHA, and by the homebuyer or the homebuyer's attorney.

(6) *IHA investment and use of purchase price payments.* After conveyance, all homebuyer funds held or received by the IHA from the sale of a unit in a project financed with grants shall be held separate from other project funds, and shall be used for purposes related to low-income housing use. Homebuyer funds held or received by the IHA from the sale to a homebuyer of a unit in a project financed by loans are subject to loan forgiveness.

(7) *Removal of home from MH program.* When a home has been conveyed to the homebuyer, whether or not with IHA financing, the unit is removed from the IHA's MH project under its ACC with HUD.

(8) *Homebuyers with delinquencies.* (i) If a homebuyer has a delinquency at the end of the amortization period, the unit is no longer available for assistance from HUD.

(ii) Notwithstanding the above requirements, an IHA may complete emergency work and modernization work required by statute or regulation on a unit that is paid off but not conveyed, during the term of the repayment schedule.

(iii) Upon repayment of the total delinquency, the IHA may, in accordance with §950.602(b)(2), complete non-emergency modernization work on a unit prior to conveyance.

§950.443 IHA homeownership financing.

The IHA may offer a form of homeownership financing, similar to a purchase money mortgage. The IHA shall set standards for determining eligibility and developing promissory notes, mortgages, and other financial instruments necessary to carry out the transaction.

§ 950.446 Termination of MHO Agreement.

(a) *Termination upon breach.* (1) In the event the homebuyer fails to comply with any of the obligations under the MHO Agreement, the IHA may terminate the MHO Agreement by written notice to the homebuyer, enforced by eviction procedures applicable to landlord-tenant relationships.

(2) Misrepresentation or withholding of information when applying for admission or in connection with any subsequent reexamination of income and family composition constitutes a breach of the homebuyer's obligations under the MHO Agreement. "Termination," as used in the MHO Agreement, does not include acquisition of ownership by the homebuyer.

(b) *Notice of termination of MHO Agreement by the IHA, right of homebuyer to respond.* Termination of the MHO Agreement by the IHA for any reason shall be by written notice of termination. Such notice shall be in compliance with the terms of the MHO Agreement and, in all cases, shall afford a fair and reasonable opportunity to have the homebuyer's response heard and considered by the IHA. Such procedures shall comply with the Indian Civil Rights Act, if applicable, and shall incorporate all the steps and provisions needed to comply with State, local, or tribal law, with the least possible delay. (See § 950.340.)

(c) *Termination of MHO Agreement by homebuyer.* The homebuyer may terminate the MHO Agreement by giving the IHA written notice in accordance with the Agreement. If the homebuyer vacates the home without notice to the IHA, the homebuyer shall remain subject to the obligations of the MHO Agreement, including the obligation to make monthly payments, until the IHA terminates the MHO Agreement in writing. Notice of the termination shall be communicated by the IHA to the homebuyer to the extent feasible and the termination shall be effective on the date stated in the notice.

(d) *Disposition of funds upon termination of the MHO Agreement.* If the MHO Agreement is terminated, the balances in the homebuyer accounts and reserves shall be disposed of as follows:

(1) The MEPA shall be charged with:

(i) Any maintenance and replacement cost incurred by the IHA to prepare the home for the next occupant;

(ii) Any amounts the homebuyer owes the IHA, including required monthly payments;

(iii) The required monthly payment for the period the home is vacant, not to exceed 60 days from the date of receipt of the notice of termination, or if the homebuyer vacates the home without notice to the IHA, for the period ending with the effective date of termination by the IHA; and

(iv) The cost of securing a vacant unit, the cost of notification and associated termination tasks, and the cost of storage and/or disposition of personal property.

(2) If, after making the charges in accordance with paragraph (d)(1) of this section, there is a debit balance in the MEPA, the IHA shall charge that debit balance first to the refundable MH reserve, and second to the nonrefundable MH reserve, to the extent of the credit balances in these reserves and account. If the debit balance in the MEPA exceeds the sum of the credit balances in these reserves and account, the homebuyer shall be required to pay to the IHA the amount of the excess.

(3) If, after making the charges in accordance with paragraph (d)(1) of this section, there is a credit balance in the MEPA, this amount shall be refunded.

(4) Any credit balance remaining in the refundable MH reserve after making the charges described in paragraph (d)(2) of this section shall be refunded to the homebuyer.

(5) Any credit balance remaining in the nonrefundable MH reserve after making the charges described in paragraph (d)(2) of this section shall be retained by the IHA for use by the subsequent homebuyer.

(e) *Settlement upon termination; time for settlement.* Settlement with the homebuyer following a termination shall be made as promptly as possible after all charges provided in paragraph (d) of this section have been determined and the IHA has given the homebuyer a statement of such charges. The homebuyer may obtain settlement before determination of the actual cost of any maintenance required to put the home in satisfactory condition for the

next occupant, if the homebuyer is willing to accept the IHA's estimate of the amount of such cost. In such cases, the amounts to be charged for maintenance shall be based on the IHA's estimate of the cost thereof.

(f) *Responsibility of IHA to terminate.*

(1) The IHA is responsible for taking appropriate action with respect to any noncompliance with the MHO Agreement by the homebuyer. In cases of noncompliance that are not corrected as provided further in this paragraph (f), it is the responsibility of the IHA to terminate the MHO Agreement in accordance with the provisions of this section and to institute eviction proceedings against the occupant.

(2) As promptly as possible after a noncompliance comes to the attention of the IHA, the IHA shall discuss the matter with the homebuyer and give the homebuyer an opportunity to identify any extenuating circumstances or complaints that may exist. A plan of action shall be agreed upon that will specify how the homebuyer will come into compliance, as well as any actions by the IHA that may be appropriate. This plan shall be in writing and signed by both parties.

(3) Compliance with the plan shall be checked by the IHA not later than 30 days from the date thereof. In the event of refusal by the homebuyer to agree to such a plan or failure by the homebuyer to comply with the plan, the IHA shall issue a notice of termination of the MHO Agreement and institute eviction procedures against the homebuyer in accordance with the provisions of this section on the basis of the noncompliance with the MHO Agreement.

(4) A record of meetings with the homebuyer, written plans of action agreed upon, and all other related steps taken in accordance with paragraph (f) of this section shall be maintained by the IHA for inspection by HUD.

(g) *Subsequent use of unit.* After termination of a homebuyer's interest in the unit, it remains as part of the MH project under the ACC. The IHA shall follow its policies for selection of a subsequent homebuyer for the unit under the MH program. (See § 950.449(g) for use of unit if no qualified subsequent homebuyer is available.)

§ 950.449 Succession.

(a) *Definition of "event."* "Event" means the death, mental incapacity, or other conditions as determined by the IHA, of all of the persons who have executed the MHO Agreement as homebuyers.

(b) *Designation of successor by homebuyer.* A homebuyer may designate a successor who, at the time of the event, would assume the status of homebuyer, provided that at the time of the event, the successor meets the conditions established by the IHA.

(c) *Succession by persons designated by homebuyer.* Upon occurrence of an event, the person designated as the successor shall succeed to the former homebuyer's rights and responsibilities under the MHO Agreement if the designated successor meets the criteria established by the IHA.

(d) *Designation of successor by IHA.* If at the time of the event there is no successor designated by the homebuyer, the IHA may designate another family member, in accordance with its occupancy policy.

(e) *Occupancy by appointed guardian.* If at the time of the event there is no qualified successor designated by the homebuyer or by the IHA, and a minor child or children of the homebuyer are living in the home, the IHA may, in order to protect their continued occupancy and opportunity for acquiring ownership of the home, approve as occupant of the home an appropriate adult who has been appointed legal guardian of the children with a duty to perform the obligations of the MHO Agreement in their interest and behalf.

(f) *Succession and occupancy on trust land.* In the case of a home on trust land, a person who is prohibited by law from succeeding to the IHA's interest on such land may, nevertheless, continue in occupancy with all the rights, obligations, and benefits of the MHO Agreement, modified to conform to restrictions on succession to the land.

(g) *Termination in absence of qualified successor.* If there is no qualified successor in accordance with the IHA's approved Admissions and Occupancy policy, the IHA shall terminate the MHO Agreement and select a subsequent homebuyer from the top of the waiting list to occupy the unit under a new

MHO Agreement. If a new homebuyer is unavailable or if the home cannot continue to be used for low-income housing in accordance with the Mutual Help program, the IHA may submit an application to HUD to convert the unit to the rental program in accordance with § 950.458 or to approve a disposition of the home, in accordance with subpart M of this part.

§ 950.452 Miscellaneous.

(a) *Annual statement to homebuyer.* The IHA shall provide an annual statement to the homebuyer that sets forth the credits and debits to the homebuyer's equity accounts and reserves during the year and the balance in each account at the end of each IHA fiscal year. The statement shall also set forth the remaining balance of the purchase price.

(b) *Insurance before transfer of ownership, repair, or rebuilding.* (1) *Insurance.* The IHA shall carry all insurance prescribed by HUD, including fire and extended coverage insurance upon the home.

(2) *Repair or rebuilding.* In the event the home is damaged or destroyed by fire or other casualty, the IHA shall consult with the homebuyers as to whether the home shall be repaired or rebuilt. The IHA shall use the insurance proceeds to have the home repaired or rebuilt unless there is good reason for not doing so. In the event the IHA determines that the home should not be repaired or rebuilt and the homebuyer disagrees, the matter shall be submitted to the Area ONAP for final determination. If the final determination is that the home should not be repaired or rebuilt, the IHA shall terminate the MHO Agreement, and the homebuyer's obligation to make required monthly payments shall be deemed to have terminated as of the date of the damage or destruction.

(3) *Suspension of payments.* In the event of termination of a MHO Agreement because of damage or destruction of the home, or if the home must be vacated during the repair period, the IHA will use its best efforts to assist in relocating the homebuyer. If the home must be vacated during the repair period, required monthly payments shall

be suspended during the vacancy period.

(c) *Notices.* Any notices by the IHA to the homebuyer required under the MHO Agreement or by law shall be delivered in writing to the homebuyer personally or to any adult member of the homebuyer's family residing in the home, or shall be sent by certified mail, return receipt requested, properly addressed, postage prepaid. Notice to the IHA shall be in writing and either delivered to an IHA employee at the office of the IHA, or sent to the IHA by certified mail, return receipt requested, properly addressed, postage prepaid.

§ 950.453 Counseling of homebuyers.

(a) *General.* (1) The IHA shall provide counseling to homebuyers in accordance with this section. The purpose of the counseling program shall be to develop:

(i) A full understanding by homebuyers of their responsibilities as participants in the MH Project;

(ii) Ability on their part to carry out these responsibilities; and

(iii) A cooperative relationship with the other homebuyers.

(2) All homebuyers shall be required to participate in and cooperate fully with all official preoccupancy and postoccupancy counseling activities. Failure without good cause to participate in the program shall constitute a breach of the MHO Agreement.

(b) The IHA shall submit to the HUD Area ONAP a copy of its counseling program with its request for funding for approval.

(c) *Progress reports.* An IHA shall submit an annual progress report to the Area ONAP within 45 days of the end of its fiscal year or such later date as may be approved by the Area ONAP.

§ 950.455 Conversion of rental projects.

(a) *Applicability.* Notwithstanding other provisions of this part, an IHA may apply to the HUD Area ONAP for approval to convert any or all of the units in an existing rental project to the MH program.

(b) *Minimum requirements.* (1) In order to be eligible for conversion, the units shall have individually metered utilities and be in decent, safe, and sanitary

condition. If the units are not decent, safe, and sanitary, the IHA shall submit a plan to correct unit deficiencies.

(2) Tenants or other applicants to be homebuyers of the proposed conversion units shall qualify for the program under §950.416(b). The entire MH contribution required of the homebuyer shall be made before the rental unit occupied by a tenant can be converted to the MH program.

(3) In the case of conversion of apartments or row houses to condominium or cooperative ownership, all units in a structure shall be converted, with all occupants at the time of the application qualified, in accordance with paragraph (b)(2) of this section. Any occupants who do not qualify or desire to convert shall be satisfactorily relocated and replaced with qualified occupants before application for conversion of the structure.

(c) *Application process.* The IHA shall submit a request for conversion to the HUD Area ONAP. The HUD Area ONAP shall review the request for legal sufficiency, tribal acceptance; demonstration of family interest; evidence that units are habitable, safe, and sanitary; family qualifications as discussed in paragraph (b)(2) of this section; and financial feasibility. If the IHA does not propose to convert all units in a project, the IHA's ability to operate the remaining rental units shall not be adversely affected.

[60 FR 18229, Apr. 10, 1995; 60 FR 36668, July 18, 1995]

§950.458 Conversion of Mutual Help projects to rental program.

(a) *Applicability.* Notwithstanding other provisions of this part, an IHA may apply to the HUD Area ONAP for approval to convert any or all Mutual Help project units to the rental program, whenever a homebuyer or homebuyers have lost the potential for ownership due to the inability to meet the cost of their homebuyer responsibilities.

(b) *Minimum requirements.* (1) The remaining balances in any reserve accounts shall be accounted for individually for each unit converted in a manner prescribed by HUD.

(2) The balance remaining in the MEPA, if any, is applied first to out-

standing tenant accounts receivable, then to repair of homebuyer maintenance items, and finally returned to the homebuyer.

(c) *Application process.* The IHA shall submit a request for conversion to the HUD Area ONAP. The HUD Area ONAP shall review the request for legal sufficiency, tribal acceptance, demonstration of family interest, and financial feasibility. If the IHA does not propose to convert all units in a project, the IHA's ability to operate the remaining units shall not be adversely affected.

[60 FR 18229, April 10, 1995; 60 FR 36668, July 18, 1995]

Subpart F—Self-Help Development in the Mutual Help Homeownership Opportunity Program

§950.470 Purpose and applicability.

(a) *Purpose.* The purpose of the Self-Help (SH) program is to provide an alternate method of developing units that will be less costly than other methods of development, will engender community pride and cooperation, and will provide training in construction skills that will have lasting value to participants. If an IHA is interested in pursuing SH development, it organizes a small group of families (six to ten) to build a substantial portion of the homes for all the families in the group, with technical assistance, supervision, and materials provided by the IHA, augmented by skilled labor obtained under contract. The participants are families who qualify for participation in the Mutual Help Homeownership Opportunity (MH) program, who have the ability to furnish their share of the required labor and who agree to participate in the cooperative effort to build homes for all members of the group.

(b) *Applicability.* Any IHA eligible for development funds may submit an application for a SH MH project.

§950.475 Basic requirements.

(a) *Contracts.* A SH MH project also involves three basic contracts in a form approved by HUD: an ACC for a MH project executed by HUD and the IHA after approval of the SH project application and after HUD approval of