guaranteed or intended for purchase by the Federal government and for assi-
ssted units in newly constructed man-
ufactured home parks, the term of the
Contract will be 20 years.

(2) For assisted units in a project
owned by or financed by a loan or loan
 guarantee from a State or local agen-
cy, where the assisted units are in-
tended for occupancy by non-elderly families and where it is located in an area designated by the Assistant Sec-
retary as one requiring special financial assis-
tance, the Contract will be for an initial
term of 20 years for any dwelling unit. There
will be a provision for renewal for addi-
tional terms of not more than 5 years each.
The total term of initial and renewal terms will not ex-
cede the lesser of (i) 40 years for any dwelling unit, or (ii) the term of the permanent financing (but not less than 20 years).

(3) For assisted units in all other
projects, the Contract will be for an
initial term of 20 years for any dwell-
ing unit, with provision for renewal for addi-
tional terms of not more than 5 years each. The total term of initial
and renewal terms will not exceed the lesser of (i) 30 years for any dwelling unit, or (ii) the term of the permanent financing (but not less than 20 years).

(b) Substantial Rehabilitation. The
Contract will be for a term which is
consistent with paragraph (b)(1) and
with paragraph (b) (2), (3), or (4) of this
section.

(1) The Contract term will cover the
longest term, but not less than 20 years,
of a single credit instrument covering:
(i) The cost of rehabilitation or
(ii) The existing indebtedness, or
(iii) The cost of rehabilitation and
the refinancing of the existing indebt-
edness, or
(iv) The cost of rehabilitation and
the acquisition of the property; and

(2) For assisted units in a project fi-
nanced with the aid of a loan (includ-
ing coinsurance under Section 244 of
the National Housing Act), or a loan
made, guaranteed or intended for pur-
chase by the Federal Government, and
for assisted units in a substantially re-
habillated manufactured home park, the
term of the Contract will not ex-
ceed 20 years; or

(3) For assisted units in a project
owned or financed by a loan or loan
 guarantee from a State or local agency
where the assisted units are intended
for occupancy by non-elderly families
and where it is located in an area des-
ignated by the Assistant Secretary as one
requiring special financial assis-
tance, the Contract will be for an initial
term of 20 years for any dwelling unit. There
will be a provision for renewal for addi-
tional terms of not more than 5 years each. The total of initial and re-
newal terms will not exceed the lesser of (i) 40 years for any dwelling unit, or (ii) the term of the permanent financing (but not less than 20 years); or

(4) For assisted units in projects fi-
nanced other than as described in para-
graph (b) (2) or (3) of this section, the
Contract will be for an initial term of
20 years for any dwelling unit. There
will be a provision for renewal for addi-
tional terms of not more than 5 years
each. The total of initial and renewal
terms will not exceed the lesser of (i) 30 years for any dwelling unit, or (ii) the term of the permanent financing (but not less than 20 years).

(c) Staged Projects. If a project is com-
pleted in stages, the term of the Con-
tract must relate separately to the
units in each stage unless the Agency
and the owner agree that only the
units in the first stage will be assisted
for the maximum term of the Contract.
The total Contract term, for the units
in all stages, beginning with the effec-
tive date of the Contract for the first
stage, may not exceed the overall max-
imum term allowable for any one unit
under this section, plus two years.

[45 FR 56327, Aug. 22, 1980, as amended at 48
FR 12710, Mar. 28, 1983; 49 FR 17449, Apr. 24,
1984]

§ 883.604 Maximum annual commit-
ment and project account.

(a) Maximum annual commitment. The
maximum annual contribution that
may be contracted for in the ACC is
the total of the contract rents and util-
ity allowances for all assisted units in
the project, plus the HUD-approved fees, if any, for State Agency admin-
istration of the Contract. (See §883.606)
§ 883.607 Default by owner and/or agency.

(a) Rights of Owner if Agency defaults under Agreement or Contract. The ACC, the Agreement and the Contract will provide that, in the event of failure of the Agency to comply with the Agreement or Contract with the owner, the owner will have the right, if he/she is not in default, to demand that HUD investigate. HUD will first give the Agency a reasonable opportunity to take corrective action. If HUD determines that a substantial default exists, HUD will assume the Agency’s rights and obligations under the Agreement or Contract and meet the obligations of the Agency under the Agreement or Contract including the obligation to enter into the Contract.

(b) Rights of HUD if Agency defaults under ACC. The ACC will provide that, if the Agency fails to comply with any of its obligations, HUD may determine that there is a substantial default and require the Agency to assign to HUD all of its rights and interests under the Contract; however, HUD will continue to pay annual contributions in accordance with the terms of the ACC and the Contract. Before determining that an Agency is in substantial default, HUD will give the Agency a reasonable opportunity to take corrective action.

(c) Rights of Agency and HUD if Owner defaults under Contract. (1) The Contract will provide that if the Agency determines that the owner is in default under the Contract, the Agency will notify the owner, and lender, if applicable, with a copy to HUD,

(i) Of the actions required to be taken to cure the default,

(ii) Of the remedies to be applied by the Agency including specific performance under the Contract, abatement of housing assistance payments and recovery of overpayments, where appropriate; and

(iii) That, if he/she fails to cure the default, the Agency has the right to terminate the Contract or to take other corrective action, in its discretion.

(2) If the Agency provided the permanent financing, the Contract will also provide that HUD has an independent right to determine whether the owner...