

COMPONENTS OF MULTI-FAMILY BUILDING REHABILITATION—Continued

Components	Maintenance and repair	Moderate rehabilitation	Substantial rehabilitation
New shingles or roof replacement	o	.....
Partition (nonbearing) replacement, or relocation	o	.....
Plumbing fixture replacement	o	.....
Pointing	o	.....
Porch and steps alterator or replacement	o	.....
Stair replacement, or relocation	o	.....
Storm windows and weatherstripping	o	.....
Subfloor material replacement	o	.....
Trim—exterior and interior	o	.....
Window replacement	o	.....
New or alteration to the:			
Mechanical system		o
Soil pipes		o
Vent pipes		o
Waste pipes		o
Alteration or replacement of structural components:			
Beams		o
Chimneys and vents		o
Columns and post		o
Electrical service—replacement or new		o
Elevator replacement		o
Exterior walls		o
Floor construction		o
Footing		o
Foundation wall		o
Foundation waterproofing		o
Interior walls		o

Moderate repair and rehabilitation shall not be limited to building changes for cosmetic purposes. In all cases moderate rehabilitation shall involve a minimum of three (3) components of building rehabilitation listed as moderate. Unless combined with other improvements in a project that are considered to be moderate or substantial rehabilitation the items identified as maintenance and repair are considered to be cosmetic and convenience changes.

EXHIBIT L TO SUBPART A OF PART 1924—INSURED 10-YEAR HOME WARRANTY PLAN REQUIREMENTS

I. Purpose

In recent years, numerous third-party home warranty plans have been developed offering new homeowners varying degrees of protection against builder default and/or

major structural defects in their homes. This exhibit establishes the criteria and procedures by which a warranty plan is found acceptable for new construction of single family homes financed by Farmers Home Administration (FmHA) or its successor agency under Public Law 103-354. An acceptable warranty plan will:

A. Assure that FmHA or its successor agency under Public Law 103-354 borrowers receive adequate warranty coverage,

B. In certain circumstances, eliminate the requirement for FmHA or its successor agency under Public Law 103-354 personnel to make the first two construction inspections, and

C. Permit a loan up to the market value of the security (less the unpaid principal balance and past due interest of any other liens against the security), even though FmHA or its successor agency under Public Law 103-354 personnel may not have performed period inspections during construction.

II. Types of Warranty Companies

A. An insured warranty company is underwritten by an insurance carrier, licensed to operate as an insurer by the states where the warranty company plans to operate, and has an acceptable rating from a nationally recognized rating company such as A.M. Best Company.

B. A risk retention group is an insurer which is licensed in one state and is authorized, under the Products Liability Risk Retention Act of 1981, to issue its policies in all states. This authority is not challenged by FmHA or its successor agency under Public Law 103-354; however, there remains some question as to the legal propriety of a 10-year insured warranty insurer to be a risk-retention group. If at some future time any state insurance commission or regulatory agency challenges the legal authority of such group, FmHA or its successor agency under Public Law 103-354 will reconsider its acceptance of the group.

C. Individual state warranty plans, such as that offered by the State of New Jersey, are backed by the full faith and credit of the state government.

III. Plan Requirements

To be considered acceptable, a warranty plan must include the following features:

A. The entire cost (fee, premium, etc.) of the coverage is prepaid and coverage automatically transfers to subsequent owners without additional cost.

B. The coverage is not cancellable by the warrantor (builder), warranty company or insurer.

C. The coverage age includes at least the following:

(1) For one year from the effective date, any defects caused by faulty workmanship of defective materials.

(2) During the second year after the effective date, the warranty continues to cover the wiring, piping and duct work of the electrical, plumbing, heating and cooling systems, plus the items in (3).

(3) During the third through the tenth years, the warranty continues to cover major structural defects. A major structural defect is actual damage to the load-bearing portion of the home including damage due to subsidence, expansion or lateral movement of the soil (excluding movement caused by flood or earthquake) which affects its load-bearing function and which vitally affects or is imminently likely to affect use of the home for residential purposes.

D. A system is provided for complaint (claims) handling which includes a conciliation and, if necessary to resolve matters in dispute, arbitration arranged by the American Arbitration Association or similar organization.

E. A construction inspection plan is required if FmHA or its successor agency under Public Law 103-354 is to eliminate the first two FmHA or its successor agency under Public Law 103-354 inspections or permit a full market value loan when FmHA or its successor agency under Public Law 103-354 inspections are not conducted.

IV. Information for Review

A. Companies submitting warranty plans for a determination of acceptability must support requests with the following information.

(1) Evidence that the insured warranty company has met the applicable state licensing and/or regulatory requirements in the state in which the company plans to operate.

(2) Evidence that the insurance carrier underwriting the warranty plan is licensed to operate as an insurer in the states in which the company plans to operate and has an acceptable rating from a nationally recognized company such as A.M. Best Company.

(3) State warranty plan agencies will provide evidence that the plan is backed by the full faith and credit of the state.

(4) A full description of the warranty plan including information on the fees, builder and home registration procedures, required construction standards, construction inspection procedures, coverage provided and claims procedures.

(5) A sample copy of the warranty information and/or policy which is provided to the homeowner.

(6) Suggested means by which FmHA or its successor agency under Public Law 103-354 field offices can readily assure that the builder is a member in good standing prior to loan approval and that a warrant will be

issued upon the completion of construction prior to the final release of funds.

B. Submission and Acceptance:

(1) Insured warranty companies, except those operating as risk retention groups, and state warranty plan agencies will submit their requests and supporting information to the FmHA or its successor agency under Public Law 103-354 State Director in the state in which they plan to operate. State Directors will determine the acceptability of insured warranty plans and state warranty plans in their jurisdictions, notify the company or agency of the decision in writing and notify field offices by issuance of a State Supplement including the names and addresses of acceptable warranty companies and any other pertinent information.

(2) Warranty companies claiming authority as risk retention groups will submit their requests and supporting information including certification that it has complied with all requirements of the Products Liability Risk Retention Act of 1981 (Pub. L. 97-45) and information indicating the state in which it is licensed, information to the FmHA or its successor agency under Public Law 103-354 National Office, Single Family Housing Processing Division. The National Office will determine the acceptability of the warranty of a risk retention group, notify the company of the decision in writing and notify field offices by issuance of an attachment to this exhibit.

V. Warranty Performance

A. County Supervisors will report inadequate warranty performance through their District Director to the State Director. State Directors will review the situation, assist in resolving any problems and, if necessary, initiate action under subpart F of part 1942 of this chapter. State Directors will inform, by memorandum, the Director, Single Family Housing Processing Division, National Office, of any problems with warranty performance and if any debarment action is initiated.

B. State Directors will annually monitor each warranty company and/or its insurer to assure continued compliance with state licensing and/or regulatory requirements.

Attachment 1—Acceptable Warranty Companies

The warranty companies listed below claim authority to act as a risk retention group under the Products Liability Risk Retention Act of 1981 and as such, to operate in all States to provide 10-year home warranties. This authority remains subject to future challenges by any State insurance commissioner or regulatory agency; however, until such challenge is made, FmHA or its successor agency under Public Law 103-354 accepts their warranty.

Name and address	Area of operation
Home Owners Warranty Corporation/ HOW Insurance Company, 11 North Glebe Road, Arlington, Virginia 22201, (703) 516-4100.	All States.
Home Buyers Warranty, 89 Liberty Street, Asheville, North Carolina 22801, Telephone: (704) 254-4478.	All States.
Residential Warranty Corporation, P.O. Box 641, Harrisburg, Pennsylvania 17108-0641, Telephone: 1-800- 247-1812.	All States.
Manufactured Housing Warranty Cor- poration, P.O. Box 641, Harrisburg, Pennsylvania 17108-0641, Tele- phone: 1-800-247-1812.	All States.

[52 FR 8002, Mar. 13, 1987, as amended at 56 FR 29167, June 26, 1991]

Subpart B [Reserved]

Subpart C—Planning and Performing Site Development Work

SOURCE: 60 FR 24543, May 9, 1995, unless otherwise noted.

EDITORIAL NOTE: Nomenclature changes to subpart C appear at 61 FR 2899, Jan. 30, 1996.

§ 1924.101 Purpose.

This subpart establishes the basic Rural Housing Service (RHS) policies for planning and performing site development work. It also provides the procedures and guidelines for preparing site development plans consistent with Federal laws, regulations, and Executive Orders.

§ 1924.102 General policy.

(a) *Rural development.* This subpart provides for the development of building sites and related facilities in rural areas. It is designed to:

(1) Recognize community needs and desires in local planning, control, and development.

(2) Recognize standards for building-site design which encourage and lead to the development of economically stable communities, and the creation of attractive, healthy, and permanent living environments.

(3) Encourage improvements planned for the site to be the most cost-effective of the practicable alternatives. Encourage utilities and services uti-

lized to be reliable, efficient, and available at reasonable costs.

(4) Provide for a planning process that will consider impacts on the environment and existing development in order to formulate actions that protect, enhance, and restore environmental quality.

(5) No site will be approved unless it meets the requirements of this part and all state and local permits and approvals in connection with the proposed development have been obtained.

(b) *Subdivisions.* RHS does not review or approve subdivisions. Each site approved by RHS must meet the requirements of §1924.115, on a site by site basis.

(c) *Development related costs*—(1) *Applicant.* The applicant is responsible for all costs incurred before loan or grant closing associated with planning, technical services, and actual construction. These costs may be included in the loan or grant as authorized by RHS regulations.

(2) *Developer.* The developer is responsible for payment of all costs associated with development.

§ 1924.103 Scope.

This subpart provides supplemental requirements for Rural Rental Housing (RRH) loans, Rural Cooperative Housing (RCH) loans, Farm Labor Housing (LH) loans and grants, and Rural Housing Site (RHS) loans. It also provides a site development standard, as indicated in exhibit B of FmHA Instruction 1924-C (available in any RHS field office), which supplements this subpart to provide the minimum for the acceptability of development. All of this subpart applies to Single Family Housing unless otherwise noted. All of this subpart also applies to Multiple Family Housing except §§1924.115 and 1924.120, and any paragraph specifically designated for Single Family Housing only. In addition, RHS will consult with appropriate Federal, state, and local agencies, other organizations, and individuals to implement the provisions of this subpart.

§ 1924.104 Definitions.

As used in this subpart:

Applicant. Any person, partnership, limited partnership, trust, consumer