§ 3565.254 Property standards.
(a) Housing quality and site and neighborhood standards. The property must meet the site and neighborhood requirements established by the state or locality, and those standards contained under 7 CFR part 1924, subparts A and C or any successor regulations.
(b) Third party assessments. As part of the application for a guaranteed loan, the lender must provide documentation of qualified third parties’ assessments of the property’s physical condition and any environmental conditions or hazards which may have a bearing on the market value of the property. These assessments must include:
(1) An acceptable property appraisal.
(2) A Phase I Environmental Site Assessment (American Society of Testing and Materials).
(3) A Standard Flood Hazard Determination.
(4) In the case of the purchase of an existing structure, rehabilitation or refinancing, a physical needs assessment.

§ 3565.255 Environmental requirements.
Under the National Environmental Policy Act, the Agency is required to assess the potential impact of the proposed actions on protected environmental resources. Measures to avoid or at least mitigate adverse impacts to protected resources may require a change in site or project design. A site will not be approved until the Agency has completed the environmental review in accordance with 7 CFR part 1940, subpart G or successor regulation.

§ 3565.256 Architectural services.
Architectural services must be provided for the project in accordance with 7 CFR part 1924, subpart A or successor regulation, including plan certifications.

§ 3565.257 Procurement actions.
All construction procurement actions, whether by sealed bid or by negotiation, must be conducted in a manner that provides maximum open and free competition.

§ 3565.300 OMB control number.
According to the Paperwork Reduction Act of 1995, no party is required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575–0174.
§ 3565.303 Issuance of loan guarantee.

(a) Preliminary feasibility review. During the initial processing of a loan, the lender may request a preliminary feasibility review by the Agency when required loan documentation is submitted.

(b) Conditional commitment to guarantee a loan. The Agency will issue a conditional commitment to guarantee a loan. This commitment will be good for such time frame as the Agency deems appropriate based on project requirements. The commitment to guarantee a loan, will specify any conditions necessary to obtain a determination by the Agency that all program requirements have been met. A conditional commitment can be issued, subject to the availability of funds, after:

1. Completion by the Agency of an environmental review in accordance with 7 CFR part 1940, subpart G or successor regulation, and the National Environmental Policy Act; and

2. Selection of the proposed project for funding by the Agency in accordance with ranking and selection criteria.

(c) Guarantee during construction. For combination construction and permanent loans, the Agency will issue an initial guarantee to an approved construction lender.

1. This guarantee will be subject to the limits contained in subpart B of this part and in the loan closing documentation.

2. In all cases, the lender must obtain a payment and performance bond covering contract work or acceptable credit enhancement as discussed in §3565.52(a).

3. The lender must verify amounts expended prior to each payment for completed work and certify that an independent inspector has inspected the property and found it to be in conformance with Agency standards. The lender must provide verification that all subcontractors have been paid and no liens have been filed against the property.

(d) Permanent loan guarantee. The guarantee on the permanent loan will be issued once the following items have been submitted to and approved by the Agency.

1. An updated appraisal of the project as built;

2. A certificate of substantial completion;

3. A certificate of occupancy or similar evidence of local approval;

4. A final inspection conducted by a qualified Agency representative;

5. A final cost certification in a form acceptable to the Agency;

6. A submission to the Agency of the complete closing docket;

7. A certification by the lender that the project has reached an acceptable minimum level occupancy;

8. An executed regulatory agreement.

9. The Lender certifies that it has approved the borrower’s management plan and assures that the borrower is in compliance with Agency standards regarding property management, contained in subparts E and F of this part;

10. Necessary information to complete an updated necessary assistance review by the Agency; and

11. Compliance with all conditions contained in the conditional commitment for guarantee.

(e) Modification of guarantee amount after commitment. The Agency may modify the guarantee amount or decline to issue a loan guarantee when a lender fails to honor obligations or to fulfill representations made under the guarantee commitment.

[63 FR 39458, July 22, 1998, as amended at 64 FR 32372, June 16, 1999]