

VIII *Lease Agreements*: In addition to the conditions contained in paragraph VIII of exhibit B of this subpart, the following should be addressed:

A *Tenants who request services in congregate housing*. If a tenant requests services, the lease must contain the following clauses:

1 "I understand that use of the service package I have selected is not mandatory, and if I later choose to modify or not renew my service contract, such action on my part will not cause default under the terms of this lease agreement. I further understand and agree that I may not use any aspect of dissatisfaction with my service contract as grounds to withhold rents due under the terms of this lease agreement."

2 "The lessor warrants that the following basic services will be made available to all tenants for a fee separate and apart from any rent described in the terms of this lease. The basic services are: _____."

If these services cannot later be provided, such failure or inability to provide the services will not constitute a breach of this lease agreement and the lessor will hold the tenant harmless should the tenant elect to terminate this lease on the grounds that provision of these services was cause for the tenant to apply for and accept occupancy in this congregate housing project."

B *Services provided to people other than tenants of FmHA or its successor agency under Public Law 103-354 financed congregate housing*. If the meal facility serves people other than the tenants of the project, the borrower must obtain a lease from the service provider and require payment sufficient to cover the annual operating expenses, debt services and reserve account attributable to the portion of increased space that is in excess of the needs of the tenants in the project. Tenants of the congregate housing must have priority in receiving the services. When the facilities are provided with loan funds, the following conditions must be met:

1 The services to be provided and the fees to be charged (if any) must be fully documented in the service plan, if provided by the applicant, or in the service plan and lease agreement if the services will be provided by others.

2 Any lease agreement must be approved by the State Director or the loan approving official and contain the following statement: "This agreement will not be effective until approved by the State Director of the Farmers Home Administration or its successor agency under Public Law 103-354, U.S. Department of Agriculture, or the State Director's delegated representative."

IX *Rent Collection*: The provisions of paragraph IX of exhibit B of this subpart will apply for services as well as rent. Tenants must pay charges for the services as documented in their lease. The payment for rent

or services may be made separately or combined; however, payments for rent and services must be accounted for separately.

X *Borrower Project Budgets*: Borrowers must separate the revenue and expenses of project operations from the service component. Form FmHA or its successor agency under Public Law 103-354 1930-7, "Multiple Family Housing Project Budget," must reflect project operations only. Also, if project employees provide any part of the services, the project operation budget and the services budget must reflect the proration of employee compensation between the respective budgets as further described in exhibit E of subpart E of part 1944 of this chapter.

XI *Accounting and Reporting Requirements and Financial Management Analysis*: Borrowers must maintain separate financial records for the operation and maintenance of the project and the service component. Funds allocated to the operation and maintenance of the project may not be used to supplement the cost of services, nor may service component funds be used to supplement the project operation and maintenance. Detailed financial reports on the service component will not be required unless specifically requested by FmHA or its successor agency under Public Law 103-354, and then only to the extent necessary for FmHA or its successor agency under Public Law 103-354 and the borrower to discuss the affordability (and competitiveness) of the service component by the tenant base in keeping with the objective stated in paragraph II of this exhibit. The project audit, or verification of accounts on Form FmHA or its successor agency under Public Law 103-354 1930-8, "Multiple Family Housing Balance Sheet," together with an accompanying Form 1930-7 showing actuals, must allocate revenue and expense between project operations and the service component.

XII *Termination of Tenancy and Eviction*. In keeping with the spirit and provisions of the Fair Housing Amendments Act of 1988, a tenant living in congregate or group home housing project may remain as long as they are eligible to occupy and the tenant expresses or otherwise maintains they can care for themself with or without services provided by the project, or by familial or social services from outside the project. Tenants are otherwise bound by the terms of their lease and their occupancy may be terminated only according to the provisions contained in paragraph XIV of exhibit B of this subpart.

PARTS 1931-1939 [RESERVED]