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AMENDED AND RESTATED REGULATORY AGREEMENT

Owner's Name and Address: Pine Grove Village, Inc.
 25 Union Street
 Boston, MA 02108

Location of Property: 56-60 Worthen Road, Lexington, MA

Name of Project: Lexington Homes

Replacement Reserve Requirement: \$1,400 Annually

Owner's Equity: None

Amended and Restated Regulatory Agreement (this "Agreement") entered into this 7th day of December, 1980, between Owner and Massachusetts Housing Finance Agency (the "Agency"), a body politic and corporate, organized and operated under the provisions of Chapter 708 of the Acts of 1966 of the Commonwealth of Massachusetts as amended (the "Act"), amending and restating the Regulatory Agreement, dated as of June 18, 1976, as amended (the "Original Regulatory Agreement"), by and between the Agency and Lexington Homes, Inc.

IN CONSIDERATION of the consent of the Agency to the assumption of the first mortgage loan originally made to Lexington Homes, Inc., for the construction of a residential housing development, on property located in Lexington, Massachusetts, which the Owner is converting to a cooperative housing development (the "Cooperative"), the parties agree to amend and restate completely the Original Regulatory Agreement as follows:

The Owner covenants and agrees that in connection with ownership and operation of the Cooperative, it will comply and will require any purchaser of stock in the Cooperative to comply with the following:

MARGINAL REFERENCE BOOKS

BOOK 14355 PAGE 471

1. Carrying charges in the Cooperative ("Carrying Charges") shall be in accordance with the Schedule of Carrying Charges previously approved by the Agency, which is attached hereto as Appendix A and is hereby made a part hereof. Any change in said schedule shall require the Agency's prior written approval, and if necessary, the prior written approval of the United States Department of Housing and Urban Development and/or the Commonwealth of Massachusetts pursuant to the Subsidy Documents (as such term is hereinafter defined). Notwithstanding any increases in Carrying Charges pursuant to the immediately preceding sentence, not less than 25% of the units shall be occupied at all times by low-income persons or families at or below the "actual Carrying Charges" which are shown on said schedule. In fulfilling this requirement Owner will accept referrals of occupants from the Public Housing Authority in the city or town in which the Project is located, and will not unreasonably refuse occupancy to any prospective occupants so referred. No prospective occupant will be selected for occupancy in the Cooperative by, nor shall the Owner sell its stock to any person or family whose annual income exceeds six times the Annual Carrying Charges for the unit with respect to which ownership of such stock permits occupancy. Income verifications satisfactory in form and manner to the Agency will be made at least every two years for all Cooperative stockholders, or annually if necessary to comply with requirements for State or Federal subsidies. In cases where annual income of a Cooperative stockholder exceeds seven times the actual Carrying Charges then being charged to the Cooperative stockholder (regardless of whether a portion of the total actual Carrying Charges for the unit is contributed by someone other than the Cooperative stockholder), the actual Carrying Charges for the unit shall be adjusted to

meet the requirements of applicable laws and regulations. As used in this Agreement, the term "low income families" shall mean persons or families eligible at any given time for occupancy in public housing in the city or town in which the Cooperative is located; the terms "adjusted Carrying Charges", "below market Carrying Charges," and "market rate Carrying Charges" shall have meanings consistent with, to the extent possible, the terms "adjusted rental", "below market rental" and "market rate rental", respectively, as in Section 6 of the Act, and the term "annual income" shall have the same meaning as in Section 1(e) of the Act.

2. The requirement of Section 1 that 25% of the units of the Cooperative be occupied by persons or families of low income is intended by the parties to be achieved by the following means: (a) The parties will use best efforts, while the Mortgage is in effect, to ensure that: (1) 16 units are the subject of an interest subsidy under the provisions of Chapter 23A App., Section 13A, of the Massachusetts General Laws as from time to time amended; (2) 6 of the 16 units are, in addition, assisted through the rent assistance program of Chapter 707 of the Acts of 1966, as amended, and are leased to the Lexington Housing Authority; and (b) the Owner will provide, through restrictions on the transfer of its capital stock as contained in its Articles of Organization and By-Laws, that low-income stockholders can transfer their stock only to otherwise qualified low-income purchasers, moderate-income stockholders to moderate-income purchasers, and market-rate stockholders to market-rate purchasers. As a further guarantee of the continuation of this resident income mix, the Owner will implement that fund for the repurchase of its capital stock as set forth in Section 8 hereof. If, at any time while this Agreement is in effect, any of the programs set forth in clause (a) of this

Section 2 are not available to the Cooperative, Owner will use its best efforts to secure assistance under any other then existing Federal or State program under which low income persons may be eligible for public assistance in paying for the cost of shelter. If no such assistance is available, then the Owner will make every reasonable effort to fulfill the Agency's statutory requirement that 25% of the units be available to low income persons or families at Carrying Charges not exceeding 25% of their annual income by increasing the Carrying Charges for the units occupied by other than low income persons or any means that are then available. The actual Carrying Charges payable by the persons or families of low income occupying at least 25% of the units will be increased only upon the presentation of proof, to the Agency's reasonable satisfaction, that without such an increase the Owner would be unable to meet its obligation to pay the debt service on the permanent mortgage loan. If such increase is made in the Carrying Charges payable by low income persons or families, such Carrying Charges will be reduced as soon as the Agency determines that such additional Carrying Charges are no longer required to fund the Owner's obligations.

3. This Agreement, the Mortgage Note, the Mortgage, and the Security Agreement relating to the Project, executed by the Agency and Lexington Homes, Inc., each dated June 8, 1976, as amended, and assigned by Lexington Homes, Inc., to Owner pursuant to an Assignment and Agreement of even date herewith, and all agreements between Owner and the Agency, or either of them, and the United States Department of Housing and Urban Development and/or the Commonwealth of Massachusetts relating to the provision of mortgage or Carrying Charge subsidies for the Cooperative (the "Subsidy Documents") shall be construed as a single agreement, and

default by the Owner under the provisions of one shall be deemed a default under each of the others. Said documents collectively shall be known as the "Contract Documents."

4. The Owner agrees to comply with the Resident Selection Plan which has been approved by the Agency. Said plan is hereby made a part of this Agreement, and is attached hereto as Appendix B. As between applicants equally in need and eligible for occupancy, preference shall be given in approving applicants for residency, in accordance with statutory requirements, to persons displaced by public action or natural disaster. There shall be no discrimination on the selection of Cooperative Stockholders by reason of the fact that there are children in the family of the applicant.

5. There shall be no discrimination upon the basis of race, creed, color, sex, age, or national origin in the lease, use, or occupancy of the Cooperative, or in connection with the employment or application for employment of persons for the operation and management of the Cooperative. An Affirmative Action Plan with regard to advertising for, hiring and promoting employees of the Owner or of the management company hired by the Owner must be approved by the Agency. Contracts for services and goods will be subject to such Affirmative Action Plan.

6. All records, accounts, books, Cooperative stockholder lists, applications, waiting lists, documents, and contracts relating to the Cooperative shall at all times be kept separate and identifiable from any other business of the Owner which is unrelated to the Cooperative, and shall be maintained, as required by regulations issued by the Agency from time to time, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Agency. Failure to keep such books and

accounts and/or make them available to the Agency will be a default pursuant to Section 2.1 of the Mortgage.

7. Owner shall assume the obligations in connection with and accept a transfer of the existing reserve fund for replacements established by Lexington Homes, Inc., pursuant to the Original Regulatory Agreement (the "Replacement Reserve"), and shall continue to maintain said Replacement Reserve in an escrow account controlled by the Agency in an amount equal to \$1,400 per month unless a different monthly amount is approved in writing by the Agency. The interest earned on the account shall remain in the Replacement Reserve for the benefit of the Cooperative. Disbursements from such fund, whether for the purpose of effecting replacement of structural elements or mechanical equipment, may be made only after receiving the prior written consent of the Agency, which consent will not be withheld unreasonably. If a default occurs under the Mortgage and the repayment of the Note is accelerated, the Agency may apply or authorize the application of the Replacement Reserve to the amount due on the Note. If the Note is prepaid, the Replacement Reserve shall belong to the Owner.

8. Owner shall maintain a Stock Repurchase Fund in accordance with the following requirements:

(a) To guarantee the continuation of the income mix of Cooperative residents as required by this Agreement, the Owner shall maintain a Stock Repurchase Fund. All monies deposited therein shall be maintained by the Owner in a separate, interest bearing account in an institution insured by the Federal government; or, with the prior written approval of the Agency, the Owner may invest such fund in any security issued by the Agency or in any obligation of the United States of America or the Commonwealth of Massachusetts, any obligation for which the full faith and

credit of the United States of America or the Commonwealth of Massachusetts is pledged for the payment of principal and interest, or any obligation, now or hereafter authorized, both the principal and interest on which are guaranteed directly or indirectly by the full faith and credit of the United States of America. The initial funding of the Stock Repurchase Fund shall be made by the transfer of (1) all funds deposited as Subscription Funds in accordance with the Subscription Agreements executed by the Owner and approved by the Agency; and (2) the payment of additional monies, if any, paid over as full and complete consideration for the purchase of stock in the Owner, to the Stock Repurchase Fund.

(b) Each Cooperative stockholder shall pay a monthly surcharge of \$3.00 into the Stock Repurchase Fund. This surcharge shall be incorporated into and become a part of the monthly Carrying Charges due the Owner as set forth in the Occupancy Agreement between the Owner and such Cooperative stockholder and approved by the Agency pursuant to Section 10 hereof.

(c) The Stock Repurchase Fund is established to provide a separate fund to assure that the equity of low-income Cooperative stockholders may, in certain circumstances, be paid to them upon acquisition by the Owner of their shares. The Stock Repurchase Fund is not a guarantee that shares of stock in the Owner will have a given value, but rather assures that if these shares do have a market value which reflects the amortization of the Mortgage and the appreciation in value of the Cooperative, this value can be realized in a way which permits continued occupancy by otherwise qualified low-income persons or families.

(d) The Owner shall purchase, in accordance with its Articles of Organization and By-laws, the stock of low-income Cooperative stockholders in the various circumstances des-

cribed in such Articles of Organization and By-laws. The purchase price for any shares of stock acquired by the Owner shall be determined in accordance with such Articles of Organization and By-laws. Any stock so acquired shall be resold by the Owner only (except as otherwise provided in such Articles of Organization and By-laws) to a purchaser who shall be an otherwise qualified low-income stockholder and only at \$70 per share.

(e) The Owner may purchase the stock of other Cooperative stockholders if the purpose of such purchase is to maintain compliance with the requirements of this Agreement.

(f) The Owner specifically agrees that there shall be no change in Article IV of its corporate bylaws, relating to the Stock Repurchase Fund, without the prior written approval of the Agency.

9. All Carrying Charges, if any, received by the Owner in excess of the below-market Carrying Charges established for each unit and not necessary for operations of the Cooperative shall be applied pursuant to Agency direction to reduce Carrying Charges so as to make more units available to low income persons and families.

10. Occupancy shall be permitted only upon execution of an Occupancy Agreement in form satisfactory to the Agency. All Occupancy Agreements shall be expressly subordinated to the Mortgage, and shall contain clauses, among others (though if such clauses are inconsistent with the Subsidy Documents, the Subsidy Documents will apply to those units for which there is a subsidy) wherein each Cooperative stockholder:

(a) certifies the accuracy of the statements made in the application and income survey;

(b) agrees that the family income, family composition and other eligibility requirements shall be deemed substan-

tial and material obligations of his residency in the Cooperative; that he will comply promptly with all requests for information with respect thereto from the Owner or the Agency; and that his failure or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation under the Occupancy Agreement;

(c) agrees that, if family income limitations for continuing occupancy established by the Act are exceeded, the Occupancy Agreement shall be terminated by the Owner within thirty (30) days after receipt by the Owner of a written notice from the Agency unless the occupant agrees to an increase in Carrying Charges sufficient to ensure that his Carrying Charges meet the requirements of applicable laws and regulations. In the event of such termination, the occupant will quit and deliver up possession of the unit;

(d) agrees that at such time as the Owner or Agency may direct, he will furnish to Owner certification of then current family income, with such documentation as the Agency shall reasonably require; and

(e) agrees to such charges as the Agency has previously approved for any facilities and/or services which may be furnished by the Owner or others to such tenant upon his request, in addition to the facilities and services included in the approved Schedule of Carrying Charges.

11. Owner shall not without the prior written approval of the Agency, which approval will not unreasonably be withheld, and of any other governmental authority whose jurisdiction includes regulation of Owner, nor contrary to the Act or Agency regulations effective at the time in question:

(a) convey, transfer, or encumber any of the mortgaged property including the grant of commercial leases, or permit

the conveyance, transfer or encumbrance of such property (except for Occupancy Agreements);

(b) assign, transfer, dispose of, or encumber any personal property of the Cooperative, including Carrying Charges, or pay out any funds other than: (i) reasonable operating expenses and necessary repairs; (ii) proceeds of the sale of stock of the Owner; and (iii) moneys of the Stock Repurchase Fund; provided, however, that Owner is expressly permitted to assign, transfer, dispose of or encumber any tangible personal property to be replaced by or with other items of personal property of like quality and value, and free of superior title, liens and claims;

(c) substantially remodel, add to, reconstruct, or demolish any part of the mortgaged property or substantially subtract from any real or personal property of the Cooperative;

(d) permit the use of the dwelling accommodations of the Cooperative for any purpose except residences, or permit commercial use greater than that originally approved by the Agency, if any;

(e) incur any liability direct or contingent, out of the ordinary course of business in developing and operating a low and middle income cooperative residential housing development;

(f) except as stated expressly in the Contract Documents, the Occupancy Agreements or otherwise approved by the Agency in writing, pay any compensation or make any distribution of income or other assets to any of the owners of shares of stock or of beneficial interests of the Owner, with the exception of payments from the Stock Repurchase Fund or refunds of excess Carrying Charges resulting from overestimates of expenditures for any year;

(g) enter into any management contract;

(h) modify or amend the Owner's Articles of Organization, By-laws, Voting Trust Agreement, Contract of Lease with the Lexington Housing Authority, Subscription Agreement, Occupancy Agreement, or any other agreement previously approved by the Agency relating to the Cooperative, or change the Trustee under the Voting Trust Agreement.

12. Owner shall provide for the management of the Cooperative in a manner reasonably satisfactory to the Agency. Any management contract entered into by Owner shall contain a provision that it shall be subject to immediate termination, without penalty and with or without cause, upon notice of termination by the Agency addressed to the Owner and the management agent. Upon receipt of such notice of termination, Owner shall immediately make arrangements reasonably satisfactory to the Agency for continuing proper management of the Cooperative. Any event of default under the Contract Documents shall be cause for termination of the management contract by the Agency. Owner, with the approval of the Agency, may retain the terminated management company for up to thirty days while a replacement management company is being selected. If, subsequent to thirty days after termination of the management contract by the Owner (whether or not such termination is pursuant to the provisions of this section), Owner has not made arrangements reasonably satisfactory to the Agency for continuing proper management of the Cooperative, the Agency shall have the right to designate a management agent for the Cooperative.

13. Payment for services, supplies, or materials shall not exceed the amount ordinarily and reasonably paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.

14. Within the ninety (90) days following the end of each fiscal year of the Cooperative, the Agency shall be

furnished with a complete annual financial report for the Cooperative based upon an examination of the books and records of the Owner containing a detailed, itemized statement of all income and expenditures, prepared and certified by a certified public accountant in accordance with the reasonable requirements of the Agency which include (i) the income statement submitted on an Agency format, and (ii) the financial report, the Cooperative, in conformity with generally accepted accounting principles applied on a consistent basis, and further certified by a duly authorized agent or the Owner.

15. At the request of the Agency, the Owner shall furnish quarterly financial statements and shall provide specific information relative to the ownership and operation of the Cooperative.

16. Carrying Charges and other cash receipts of the Cooperative shall be deposited in the name of the Owner or a nominee for the Owner in a financial institution whose deposits are insured under Federal law. The Agency shall at all times be advised of the names of the accounts and names of such institutions. Such funds shall be withdrawn only in accordance with the provisions of this Agreement. Any person receiving funds of the Cooperative other than as permitted by the Contract Documents shall immediately deposit such funds in a Cooperative bank account, and failing to do so in violation of this Agreement, shall hold such funds in trust for the Cooperative.

17. There shall be full compliance with the provisions of all state or local laws prohibiting discrimination in housing on the basis of race, sex, religion, color, national origin, age, marital status, or ancestry, and providing for nondiscrimination and equal opportunity in housing. Failure or refusal to comply with any such provisions shall be a

proper basis for the Agency to take any corrective action it may deem necessary including, but not limited to, the rejection of future applications for mortgage loans and the refusal to enter into future contracts of any kind with which the Owner or its shareholders, trustees, or beneficiaries are identified.

18. This Agreement shall bind, and the benefits shall inure to, respectively, the Owner and its successors and assigns, and the Agency and its successors and assigns, so long as the Mortgage continues in effect, whether or not the Agency shall continue to be the Owner of the Mortgage, provided, however, that this Agreement shall become a nullity upon payment and discharge of the Mortgage.

19. Owner warrants that it has not, and will not, execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict therewith.

20. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

21. Notices shall be deemed delivered when mailed registered or certified mail, return receipt requested, to the Owner at its address first set forth above, and to the Agency at Old City Hall, 45 School Street, Boston, Massachusetts 02108, or to such other place as a party may designate in writing.

IN WITNESS WHEREOF the parties have caused these presents to be signed and sealed by their respective, duly authorized representatives, as of the day and year first written above.

(Seal)

Attest:

Deborah A. Donovan

(Seal)

MASSACHUSETTS HOUSING FINANCE AGENCY

By [Signature]
Executive Director

PINE GROVE VILLAGE, INC.

By [Signature]
Title: [Signature]

Attest:

Osborn M. Carter

Attachments:

- Appendix A - Schedule of Carrying Charges
- Appendix B - Resident Selection Plan

COMMONWEALTH OF MASSACHUSETTS

Suffolk, ss.

~~January 6, 1981~~
~~January 1, 1981~~

Then personally appeared the above-named James G. Deane, the Vice President of Pine Grove Village, Inc., and acknowledged the foregoing instrument to be his free act and deed and the free act and deed duly authorized of said Pine Grove Village, Inc.

Before me,

Michael J. Sullivan
Notary Public

my commission expires: 2/1/86

COMMONWEALTH OF MASSACHUSETTS

Suffolk, ss.

July 1, 1981
~~December 31, 1980~~

Before me appeared John Blake, Jr., Executive Director of the Massachusetts Housing Finance Agency, duly authorized, who acknowledged his assent to the foregoing instrument to be his free act and deed and the free act and deed of said Agency.

Walter F. Malone
Notary Public

My commission expires:

4/2/84



Resident Selection Process

In processing applicants during the initial start-up for units in an MFA development, a specific and detailed process has been worked out between the owner and the MFA management department. The process contains the following procedures:

1. Start Up Period:

The manager and the MFA representative shall designate a period for taking preliminary applications. This period will be considered a single chronological unit. Inquiries or applications taken before this period may be processed, but will not be given preference.

Advertising marketing, including contacting relevant and community groups must be done at least two weeks prior to the first day of this designated period so as to insure that all people in the market area have been offered the opportunity to an application at the development. Advertising should not be started more than one week before the first day of the designated period. A furnished apartment model or models and/or the rental office should be set up on the site prior to the designated period of application taking.

2. The Initial Application Period:

A. The application: The application form to be used must be approved by MFA. The same form shall be used for applicants of all economic levels. No one should be refused the right to submit an application. The application form shall state that the references given by the applicant on the application may be contacted by the rental agent and that unfavorable information from these references may be a cause for rejection.

The application form shall contain space for three personal references and unless approval is received by the MHTA representative, no more than three such references shall be required. An employer is not an acceptable source of personal information unless given as a personal reference by the applicant.

B. The application interview: The rental agent must offer aid to the applicant in helping to complete the application.

During the interview, it is the rental agent's obligation to explain nature of the MHTA program and the resident selection process.

By the end of the interview, the application must be complete and the applicant given the opportunity to review the application and the applicant's signature received.

3. Selection:

Initial selection shall begin at the end of the designated period.

At this time, the management agent and the MHTA staff person assigned to the development will sort the applications by bedroom size for each type of subsidy program. This must be done in conformance with MHTA's policy that there shall be no fewer than one, nor more than two persons per bedroom. Although MHTA recommends that a parent and child or two children of the opposite sex do not share the same bedroom, the applicant has the right to determine which members of the household will share the same bedroom. Applicants whose family size makes them eligible for more than one apartment size shall be considered for both bedroom sizes. Applicants who are eligible for the low income rent levels shall be considered eligible for the moderate income units as well if the shelter cost for such

unit does not exceed the total shelter cost that the applicant presently has.

These categories are then arranged by need priorities (see below) and applicants assigned to units based on their priority ranking. Those applicants for whom units are not available will be placed on a waiting list for the bedroom type and subsidy program for which they are eligible by priority ranking. There shall therefore be separate waiting lists for each subsidy program by bedroom size.

4. Need Priorities:

The following priorities will be the basis for resident selection for all applicants at all income levels. The priorities are listed in order of preference and are subject to whatever Federal or State priorities are or may be imposed.

I. Displacement with a two-year period.

A. Due to natural disaster, fire, public action or urban renewal.

~~B. Due to private eviction beyond the control of the resident.~~ (Deleted 11/10/75)

II. Poor housing conditions.

- A. Substantial substandardness.
- B. Overcrowded conditions.

III. Rent in excess of 50% of applicant's adjusted annual income.

IV. Special personal situations.

- A. Handicapped.
- B. In military service where head of household is stationed away from home.

V. Applicants who receive public assistance will take

... their priority categories in the select:

based on the categories 1 through 4 results in the following:

—non-compliance with MHFA regulations that at least 25% of the low income units shall be for welfare recipients.

Whenever there are not enough units for applicants having equal priority status, as defined above, other criteria approved by MHFA shall be applied to determine selection.

5. Previous Landlord, Personal and Credit Investigations:

Information on applicants is limited to the following

sources:

A. Present and past landlords: Checking with prior landlords shall be limited to those within the past two years or if there was only one landlord within the past two years, the landlord prior to that may be contacted. These landlords will be contacted to determine not only applicant's record of rental payments, but also whether the applicant conducted him or herself in a manner so as not to intentionally damage property, cause disturbances to tenant's neighbors and/or otherwise jeopardize the health, security, and welfare of neighbors.

B. Credit check: The rental agent may contact a credit bureau and any of the credit references furnished by the applicant on the application. Only information covering the two years prior to the date of the application can be considered by the rental agent in the credit evaluation of the applicant. Information by the credit bureau and other credit references shall be limited to the credit record established by the applicant.

C. Personal references: The rental agent may only contact the personal references furnished on the application.

D. Income verification: If an applicant is employed,

the employer may be contacted to verify income. If an applicant receives public assistance, he shall be given an income verification form to be completed by the Department of Public Welfare, or other agency furnishing the assistance.

E. Inspectors and physicians: Information from state, county, city, town, health or building inspectors may be considered to determine the substandardness of an applicant's present housing. Information from physicians may be considered to determine the existence of a handicap.

F. Public records: Management may check court or other information generally available to the public. Management shall have the obligation to ensure that none of the information is collected in violation of the law. For example, attempting to obtain police records is a violation of state law.

G. Home visits: Home visits will only be made when requested by a rejected applicant as a part of his or her rebuttal of the reasons for rejection.

6. Standards for Rejection:

The standards for the rejection are as follows:

A. Substantial risk that the applicant will be unable or unwilling to pay the rent.

B. Substantial risk that the applicant or those under the applicant's control will interfere with the health, safety, security, and the right to peaceful enjoyment of the resident community.

C. Substantial risk of intentional damage or destruction to the apartment unit and surrounding premises by the applicant or those under the applicant's control.

In determining whether or not an applicant is to be rejected under these standards, it is necessary

that the following points be considered:

A. In the evaluation of the information that is gathered from the permitted sources, the possible biases, attitudes and motives of the sources must be considered.

B. Information relating to behavior not relevant to the above standards—for example, questions about life style—must not be considered.

C. In evaluating information, the currentness of the information, the possibility of mitigating factors, and the possibility of changes in the applicant's behavior must be considered.

D. In judging an applicant's rental payment record or credit report, consideration shall be given to the applicant's present shelter cost-income ratio and whether the rent level for the unit for which the applicant applies would help eliminate a present financial hardship.

7. Notification:

A. Ineligible applicants: Immediately after initial selection has taken place, in accordance with the foregoing, the rental agent shall give written notice. This notice shall clearly state the reason why the applicant is ineligible and the eligibility criteria shall be clearly spelled out. The notice also shall inform the applicant that he or she has the right to request a conference within 7 days from receipt of the letter to review the ineligibility determination. If the conference determines that the applicant is eligible, he or she shall be placed on the processing or the waitlist according to the procedure described in Section 3 above.

B. Wait listed applicants: Applicants who are eligible but have to be put on a waiting list because other applicants have

Been determined to have a higher priority shall receive a notice containing the following information:

- aa. The priority categories by which the ranking was done.
- bb. The priority found for the applicant in question.
- cc. The position of the applicant on the waiting list(s) for the specific bedroom types and subsidy programs for which the applicant is eligible.
- dd. The number of units of the specific category(s) there are in the development.

C. Rejected applicants: An appropriate unit shall remain reserved for a rejected applicant until the following procedure has been followed:

The applicant will be immediately informed in writing about the rejection as well as its reasons. The applicant shall be informed about his or her right to request a conference with the rental agent and the MERA representative within a period of 7 days from the time of so being informed. If the applicant has not asked for a conference within 7 days from the date of being informed of the rejection, the first applicant on the waiting list for this particular type unit shall be selected for the unit.

D. Accepted applicants: Notification of acceptance shall be limited in number to 90% of the units available in each bedroom/subsidy category until all conferences involving applicants appealing their ineligibility have taken place.

3. Conference Procedure:

During the conference between the applicant and the rental agent, the MERA staff person shall ask:

- A. That the rental agent state the reasons for the reject and provide supporting information.

D. That the applicant give information which might rebut the information used as the basis for rejection.

At the end of the conference, the MFA representative shall make a decision and inform both the applicant and the rental agent that if either does not agree with his decision, they have the right to ask for an administrative review by the manager of the MFA management department. If the applicant has not asked for the administrative review within 7 days from the date of the conference, the first applicant on the waiting list for this particular type unit shall be selected for the unit.

9. Administrative Review:

The applicant who has asked for an administrative review shall receive a copy of the report by the MFA staff person at the conference. The applicant has 7 days to submit a letter or report in rebuttal of the conference report to the manager of MFA management department. He will make his decision within 7 days from receipt of the applicant's letter of rebuttal.

10. Waiting Lists:

At the time of selection, waiting lists will be established by bedroom types and subsidy programs by priority. These lists will contain the names of those applicants who are eligible but who during the priority ranking process were eliminated from the selection for the available units in their bedroom type and subsidy category. These applicants will be put on the waiting lists in order of the priority rules described under "Selection".

Whenever a unit becomes available during the rent-up process because of cancellation or rejection, the first applicant on the appropriate waiting list for the bedroom and subsidy category shall have the same

rights of conference and review.

After all units have been occupied by tenants, the rental agent should write the remaining applicants on the waiting lists. In his letter the rental agent shall inform the applicant that all units in the applicant's category have been rented. The letter shall also state the numerical position of applicant on the waiting list and that the applicant will be removed from the waiting list unless written confirmation that the applicant wants to be kept on the waiting list is received within 7 days.

After the final waiting lists have been made, applicants from these waiting lists shall be selected in order of their ranking on the lists for units that become vacant, even though applicants with higher priorities may have applied in the meantime. Only in emergency cases may recent applicants be selected over those on the waiting lists with the approval of the MHA representative.

While the initial waiting list is being processed, the rental agent should start a new waiting list for each bedroom/subsid category for new applicants. It is not required that full applications are taken. The list should, however, have each applicant's name, family composition, address and phone where the applicant may be contacted, and as accurately as possible, the income. The list should be in chronological order. Once the initial waiting list has been fully processed, the rental agent shall process applicants in order from the chronological waiting list whenever vacancies occ