

CHAPTER 1: OVERVIEW

SECTION 1: INTRODUCTION TO THE SERVICING AND ASSET MANAGEMENT OFFICE HANDBOOK

1.1 WELCOME TO THE SERVICING AND ASSET MANAGEMENT OFFICE HANDBOOK

This handbook provides Agency staff with the tools needed to service loans efficiently and effectively. Its goal is to help staff at the Servicing and Asset Management Office (Servicing Office), assist borrowers, while making sure that basic legal and administrative requirements are met. The handbook provides loan servicing policies for Section 502 direct loans and Section 504 loans and grants. Specific procedures to implement these policies are described in a separate handbook.

The guidance provided by this handbook is intended to be consistent with all applicable laws, Executive Orders, and Departmental regulations, including other Agency regulations. Nothing contained in this handbook should be construed to supersede, rescind, or otherwise amend such laws, Executive Orders, and regulations.

1.2 USING THIS HANDBOOK


The handbook is organized to allow the reader to look up information on specific topics easily. New staff may want to read the handbook in its entirety, while more experienced staff may use it as a reference book. Several graphic tools and conventions have been used to make information easier to find and understand.


A. Handbook Symbols


- **References.** The book symbol directs the reader to additional information sources, such as laws, regulations, or instructions.



- **State Supplements.** State and local laws and the laws of Federally-recognized tribes may affect how Agency requirements are implemented. Topics commonly affected by such laws include the treatment of liens, the liquidation process, and environmental policies. The United States symbol denotes subjects for which further instructions may be issued through State Supplements which will be filed in Appendix 7 of this Handbook or for which individual State laws are likely to be particularly relevant.



- **Civil rights.** The fair housing symbol highlights processing procedures with significant fair housing or civil rights implications.


- **Deadlines.** Time frames for completing required actions are underlined to make them easier to locate, for example: “within 7 days.” Unless the text specifies business days, all references to days are in terms of calendar days.
- **Documentation.** The notepad symbol highlights key activities or information that must be carefully documented.



B. Citations and Text Boxes

- **Regulatory citations.** The regulation for the direct single family housing program is provided in 7 CFR Part 3550. The text of that regulation is provided in Appendix 1. To help readers locate the regulatory authority for procedures described here, references to this regulation appear in italicized brackets, for example: [*7 CFR 3550.55*]. Other regulations or RD instructions are simply referenced.
- **Form and letter references.** Agency forms and Agency handbook (HB) letters are shown in *italics*. All forms referenced in this Handbook can be found in Appendix 2 and all handbook letters can be found in Appendix 3.
- **Helpful hints.** Helpful hints, cautions, or important facts are included in boxes throughout the text and shown with the string around the finger symbol.


- **Examples and exhibits.** Text boxes labeled as examples or exhibits provide a specific illustration of a concept described in the text or provide additional detailed information. Examples are used when the text box is inserted adjacent to the relevant text and is not referenced. Exhibits are used when the text refers to the text box. Exhibits are numbered in sequence, using the chapter number; for example, Exhibit 3-1 is the first exhibit in Chapter 3.

C. Attachments and Appendices

- **Glossary and acronyms lists.** Key words and terms are defined in the glossary. A list of acronyms used in the handbook is also provided. Both the glossary and list of acronyms can be found at the end of the handbook.
- **Attachments.** Attachments at the end of each chapter contain technical information that is specific to the topics covered in the chapter. Attachments are referenced in sequence, using the chapter number and a letter, for example, Attachment 4-A is the first attachment in Chapter 4.
- **Appendices.** Appendices at the end of the handbook include forms and other reference materials that relate to multiple chapters.

D. Terminology

Because terminology may vary from State to State and change over time, this handbook uses certain standard terminology to provide consistency.

- **Agency.** The term “Agency” is used throughout this handbook to refer to the organizational unit within the United States Department of Agriculture (USDA) that is responsible for administration of the direct single family housing program.
- **Borrower.** The term “borrower” refers to one or more individuals who are receiving Agency assistance.
- **Servicing Office.** These terms are used to refer to individuals in the Servicing and Asset Management Office, previously known as, the National and Financial Operations Center, Customer Service Center, or Centralized Servicing Center. This term is used throughout this handbook to refer to the office that services loans and grants.
- **Field Office.** Because the number of offices and the nature of the work conducted in each office may vary from State to State, the term “Field Office” is used throughout this handbook to refer to the office that is originating the loan.
- **Field Staff and Approval Official.** These terms refer to a person who is completing tasks for purposes other than originating a loan and is located in the field.

E. How This Handbook Is Organized

- **Chapter 1. Overview** provides a summary of Section 502 and Section 504 requirements, and also contains general program and administrative requirements that are referenced throughout the remaining chapters (for example, appeals and civil rights policies).
 - **Chapter 2. Regular Servicing** covers the transfer of responsibility for a loan from the Field Office to the Servicing Office and discusses routine transactions with the borrower, including payments, reviewing requests from the borrower that require Agency approval, final payments, and recapture. Guidance for two of the regular servicing activities -- processing payment subsidies and requirements related to taxes and insurance -- are large enough to require separate chapters, which follow.
 - **Chapter 3. Escrow, Taxes, and Insurance** covers the Agency's role in administering escrow accounts for taxes and insurance, borrower responsibilities regarding taxes and insurance, and remedies that may be applied if the borrower fails to pay taxes or insurance.
 - **Chapter 4. Payment Subsidies and Income Determinations** includes instructions for initiating and renewing payment subsidies, including guidance on making income determinations.
 - **Chapter 5. Special Servicing** covers servicing actions that may be required to assist borrowers who become delinquent on their accounts including delinquency workout agreements, moratoriums on payments, protective advances, and reamortization.
 - **Chapter 6. Liquidation and Acquisition** provides guidance for circumstances in which special servicing actions have failed and the borrower's account must be liquidated by foreclosure.
- Chapter 7. Special Collections** describes policies for dealing with unauthorized assistance, offsets, and debt settlement.

SECTION 2: OVERVIEW OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM

1.3 GOALS OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM

The purpose of the direct single family housing program is to provide low- and very low-income people the opportunity to own adequate, modest, decent, safe, and sanitary homes in rural areas. In providing this service, the Agency strives to meet several goals.

- **Customer service.** The Agency is committed to providing customer-friendly, streamlined service.
- **Effective use of resources.** As a publicly-funded program, the direct single family housing program must use tax dollars efficiently. The Agency aims to minimize administrative costs and service loans responsibly.
- **Efficient processing.** The Agency has streamlined its servicing processes and adopted private sector practices to the extent feasible. This not only saves staff time, but also allows borrowers to receive the maximum benefit from Agency funds.

1.4 SECTION 502 -- AN OVERVIEW

A. Program Loans

The Section 502 direct loan program is intended to provide very low- and low-income people with the opportunity to acquire, build, rehabilitate, improve, or relocate dwellings in rural areas. The standard term for a Section 502 loan is 33 years. However, loans may be made for a shorter term, and in certain cases for 38 years. Each loan is made at a note rate established by the Agency as prescribed in RD Instruction 440.1. Payment subsidies are available to some borrowers to reduce monthly loan payments. In summary, to be eligible for a Section 502 loan, applicants must:



- Have an adjusted income that is at or below the applicable low-income limit at loan approval (except for assumed loans or loans to purchase Real Estate Owned (REO) property);
- Have an adjusted income that is at or below the applicable moderate-income limit for assumed loans or loans to purchase an REO property;

- Be unable to obtain sufficient credit from another source;
- Agree to personally occupy the dwelling;
- Meet citizenship or eligible non-citizen requirements;
- Have the legal capacity to incur a loan obligation and not be suspended or debarred from participation in Federal programs; and
- Demonstrate both the willingness and ability to repay the loan.

B. Nonprogram Loans

The Agency may provide credit on non-program terms to expedite the assumption of an existing program loan or purchase of a REO property by a borrower who is not eligible for the Section 502 program. Other uses include conversion of a program loan that has received unauthorized assistance, or continuation of a loan after a partial release of security. Nonprogram loans are made only when it is in the best interest of the Government, and non-program borrowers are not eligible for certain special servicing actions.

1.5 SECTION 504 -- AN OVERVIEW

The Section 504 direct loan and grant program is intended to provide funds to homeowners who cannot obtain other credit to repair and rehabilitate their properties or correct health and safety hazards. To be eligible, the applicant must have adjusted income that is at or below the applicable very low-income limit and meet other eligibility requirements similar to those for Section 502 loans. The Section 504 program offers grants to correct health and safety hazards for homeowners 62 years of age and older who cannot obtain a loan for this purpose.

A. Section 504 Grants

Grant funds may be used only to make repairs and improvements that will remove identified health and safety hazards or to repair or remodel dwellings to make them accessible and useable for household members with disabilities. Grants are available only to eligible applicants who are 62 years of age or older. Recipients may receive multiple grants, up to a lifetime maximum of \$7,500.

Paragraph 1.5 Section 504 -- An Overview

B. Section 504 Loans

Loan funds may be used to make general repairs and improvements to properties and to remove health and safety hazards. Borrowers may obtain multiple Section 504 loans, but the sum of the outstanding balance on all Section 504 loans cannot exceed \$20,000. The loans have a maximum term of 20 years and an interest rate of 1 percent.

1.6 THE ROLE OF FIELD OFFICES

Loans are originated and closed in Field Offices. Once loans are closed and the final disbursement has been made, they are serviced by the Servicing Office. The Servicing Office may ask for assistance from Field Staff when a local presence is needed to facilitate a servicing action.

In addition, Field Staff have an obligation to report information that comes to their attention indicating risks to the security property or changes in borrower circumstances. Such items might include knowledge of hazardous dwelling conditions, environmental hazards, non-occupancy, abandonment, or changes in income. Field Staff who learn of borrower difficulties also may recommend that the borrower contact the Servicing Office for assistance.

HB-2-3550

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SECTION 3: AUTOMATION

1.7 THE DEDICATED LOAN ORIGINATION AND SERVICING (DLOS) SYSTEM


The Agency’s Dedicated Loan Origination and Servicing (DLOS) system is designed to expedite loan-making, standardize information collection and recordkeeping, and facilitate communication between Field Offices and the Servicing Office. DLOS tracks loans from application through servicing using two interconnected systems: UniFi and LoanServ.

A. UniFi

UniFi is a web-based application used for loan origination. It retains applicant information, makes complex calculations, and maintains a central record of all activities associated with an individual application from the time of pre-qualification through loan closing. Information from UniFi is uploaded into LoanServ each night.

B. LoanServ

LoanServ is a mainframe-based application that is used to service Agency loans and monitor loan performance. LoanServ should be used to record every action taken by the Servicing Office regarding an individual borrower’s account.



LoanServ Advantages

Using LoanServ consistently will allow different operators at Servicing Office to work with a borrower’s account at different times.

Since Field Offices have access to some portions of LoanServ, it can help the Servicing Office and Field Staff keep abreast of each other’s activities. If the Servicing Office needs assistance in the field for some servicing action, LoanServ can be used to send a work queue to the Field Staff. For example, a Servicer involved in working out an insurance claim with a borrower might ask Field Staff to visit the property to assess the repair work that has been done to date. Similarly, if Field Staff obtain information about a change in a borrower’s employment status that has not been reported to the Servicing Office, the LoanServ work queue can be used to pass that information on to the Servicing Office.

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SECTION 4: GENERAL PROGRAM REQUIREMENTS

1.8 CIVIL RIGHTS [7 CFR 3550.3]



The Agency will administer its programs fairly and in accordance with both the letter and the spirit of all equal opportunity and fair housing legislation and applicable Executive Orders. The civil rights compliance requirements for the Agency are contained in RD Instruction 1901-E. Exhibit 1-1 lists the applicable Federal laws and Executive Orders and highlights key aspects of these requirements.




Exhibit 1-1
**Major Civil Rights Laws Affecting the
Direct Single Family Loan Program**

- **Equal Credit Opportunity Act (ECOA).** Prohibits discrimination in the extension of credit on the basis of race, color, religion, national origin, sex, marital status, age, income from public assistance and exercise of rights under the Consumer Protection Act.
- **Title VI of the Civil Rights Act of 1964.** Prohibits discrimination in a Federally-assisted program on the basis of race, color, and national origin.
- **Title VIII of the Civil Rights Act of 1968** (also known as the Fair Housing Act of 1988, as amended). Prohibits discrimination in the sale, rental or financing of housing on the basis of race, color, religion, sex, national origin, familial status, or disability.
- **Section 504 of the Rehabilitation Act of 1973.** Prohibits discrimination in a Federally-conducted program on the basis of disability.
- **Age Discrimination Act of 1975.** Prohibits discrimination in a Federally-assisted program on the basis of age.
- **Executive Order 11063 as Amended by 12259.** Prohibits discrimination in housing or residential property financing to any Federal-assisted activity against individuals on the basis of race, color, religion, sex, or national origin.
- **Executive Order 11246.** Nondiscrimination in employment by construction contractors (and subcontractors) receiving Federally-assisted construction contracts in excess of \$10,000. It provides for equal employment opportunity without regard to race, color, religion, sex, and national origin.
- **Executive Order 13166.** Prohibits discrimination on the basis of national origin, and ensures programs normally provided in English are accessible to persons with Limited English Proficiency (LEP).

A. Nondiscrimination

The various civil rights laws prohibit the denial of loans, grants, services, and benefits provided under the Section 502 and 504 programs to any person based upon race, color, national origin, sex, religion, marital status, familial status, age, physical or mental disability, source of income, or because the applicant has, in good faith, exercised any right under the Consumer Credit Protection Act (15 U.S.C. 1601). Discrimination in employment practices also is prohibited.

Effective management and consistent procedures are good business practices that help ensure that all borrowers are treated fairly. Poor program implementation, whether or not discrimination is intended, has possible civil rights consequences.

	Key Civil Rights Issues for Loan Servicers
<ul style="list-style-type: none">• Access• Consistency and fairness of treatment• Disparate impacts -- intended or unintended• Record keeping	

In the servicing process, attention to consistent procedures is especially important in several key areas, which are listed below.

- **Outreach.** Information about the availability of servicing relief and how to apply must be broadly disseminated. In addition, the extent of the information, assistance, and courtesy extended to those who make inquiries must be consistent.
- **Determining eligibility.** Servicers must use equal rigor for all borrowers when verifying income, considering eligibility for program benefits and assistance, and allowing borrowers to clarify information.
- **Making exceptions.** Standards for offering exceptions must be applied consistently.

Paragraph 1.8 Civil Rights [7 CFR 3550.3]

- **Subsidies and other assistance.** Opportunities for subsidies and favorable servicing remedies must be made available consistently.
- **Hearings and appeals.** Avenues for remedies when problems arise must be made available consistently.

B. Reasonable Accommodations for Persons with Disabilities [7 CFR 15e.130]

No individual with a disability shall, on the basis of their disability, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under any program or activity conducted by the agency. The Agency must make reasonable accommodations to permit persons with disabilities equal access to apply for and benefit from Agency programs. Reasonable accommodations may include providing facilities that are physically accessible so that all people can come to Agency offices, effective communication and outreach tools so that all applicants can get good program information (for example, a Telecommunications Device for the Deaf (TDD)), or making a modification to an Agency process or procedure to enable access.

When a customer with a disability cannot access a program or finds it difficult to meet a specific requirement of a program, the Agency must consider if the same result can be reached through different means. The Agency does not distinguish between reasonable accommodations and reasonable modifications. Instead, both are captured by the term “reasonable accommodations.” Under the regulations, the Agency must follow the requirement to make reasonable accommodations through changes that may be necessary to provide equal opportunity to participate in the federally conducted program or activity.

1.9 REVIEW AND APPEALS [7 CFR 3550.4]

A. ADVERSE DECISIONS

Decisions that are not made in favor of a program participant (applicant or borrower) are known as adverse decisions. Adverse decisions must be based upon regulations which are published in the Code of Federal Regulations (CFR). For the direct SFH programs, any adverse decisions must be based upon 7 CFR Part 3550 (Appendix 1) and not the administrative guidance contained in this Handbook. Adverse decisions include: (1) administrative actions taken by Agency officials; and (2) the Agency’s failure to take required actions within time frames specified in statutes or regulations, or within a reasonable time if no deadline is specified. 7 CFR Part 11 is the National Appeals Division (NAD) regulation and provides procedures that both Agency officials and program participants must follow when an adverse decision is appealed. If the Servicing Office is taking an adverse action on a case that is also under the jurisdiction of a Field Office, the Servicing Office should first consult with the Field Office. *Handbook Letter 101(3550), Standardized Adverse Decision Letter*, will be used for all adverse decisions unless another format is prescribed in this Handbook. Exhibit 1-2 provides a sample of an adverse decision letter.



Exhibit 1-2

Sample Adverse Decision Letter

Mr. and Mrs. John Doe
1 Main Street
Anytown, Anywhere 01234

Re: Application for \$154,000 Direct
Single Family Housing Loan

Dear Mr. & Mrs. Doe,

Thank you for the opportunity to consider your request for Rural Development assistance. In reviewing your request, we considered all information submitted to the Agency and the regulations that govern the assistance for which you applied. After careful review, we regret to inform you that we were unable to take favorable action on your request. The specific reasons for our decision are as follows:

1. Your income exceeds the maximum income to qualify for our direct single family housing program. 7 CFR 3550.53(a) requires that an applicant's income must not exceed the applicable low-income limit for the area. In Any County, the maximum income limit is \$39,500. According to income reported on your application and verified using paystubs and tax returns., your income was calculated at \$42,250. Unfortunately, this income exceeds the applicable limits. At the time of your loan interview, Mr. Doe indicated that he worked substantial overtime last year, and did not anticipate overtime income for this year. According to a verification of employment, overtime income has recently been earned this year, and your employer anticipates that you will earn at least the same amount of overtime this year as you have earned in the past. Overtime income must be considered if it is reasonable to anticipate it will continue. We reverified with your employer that, because of recent workforce changes, overtime will continue this year in an amount at least equal to last year. This was further confirmed by copies of paystubs which you recently submitted to this office for review.
2. Your credit history was not acceptable. 7 CFR 3550.53(h) requires that an applicant must have an acceptable credit history to obtain program assistance. The regulation provides, in part, that a delinquency on any debt owed to the Federal Government is an indicator of unacceptable credit. Your credit report reflected that you are in default on your student loan which is guaranteed by the Federal Government.

If one of the above reasons included an unacceptable credit history, please note that a tri-merge credit report on you was obtained from Equifax Mortgage Solutions, 815 East Gate, Suite 102, Mount Laurel, NJ 08054; telephone (800) 333-0037. You may obtain a free copy of your credit report from Equifax and dispute the accuracy or completeness of the report directly to Equifax. While the report was provided by Equifax, the decision to deny your request for assistance was made by this Agency and not Equifax.

If you believe our decision is incorrect, or the facts used in this case are in error, you may pursue your rights to challenge our decision. Please see the attached for your rights.

Sincerely,

Paragraph 1.9 Reviews and Appeals [7 CFR 3550.4]

Letters notifying participants of adverse decisions must contain the necessary information regarding an informal administrative meeting, mediation/Alternative Dispute Resolution (ADR), appeal rights to NAD, and civil rights. Attachments 1-A through 1-G contain, as necessary, the civil rights language and include information on requesting an informal administrative review, mediation and rights to NAD. The Attachments are all titled to assist the Servicing Office in selecting the correct Attachment for the decision being made. The Attachments do not need to be used when an RD Form, Handbook Letter, or other document already includes the appropriate participant rights.

B. State Director Responsibilities

State Directors should issue a State Supplement providing guidance for processing appeal and mediation requests. The guidance should include an attachment outlining the mediation provider(s) specific to their State and identifying an Alternative Dispute Resolution (ADR) Coordinator.

C. ADR Coordinator Responsibilities

The ADR Coordinator is responsible for: Establishing a source/vendor list of Community-Based Mediation Centers (CBMCs) and/or Alternative Mediation Service Providers, per RD Instruction 1940-E, 1940.206 (c)(1), if the State does not have a USDA-funded mediation program. The list will be maintained annually in alphabetical order and the providers are selected in sequential order. States will need to maintain documentation to ensure that mediation providers receive an equal number of referrals. The list should include the name, contact information, and cost of each mediator; the list cannot include arbitrators. The Farm Service Agency (FSA) should be able to provide the ADR Coordinator with a list of acceptable mediation sources in the State. Other contacts include the National Association of Conflict Resolution or State bar association. When making contacts with these sources, make sure the Agency requests the services of a mediator and not an arbitrator. A mediator resolves disputes by negotiating a resolution through mutual agreement. An arbitrator resolves disputes through hearing both parties and then rendering a binding decision and may not be used.

- Verifying that the request for mediation was submitted within 30 days of receipt of the adverse action. If so, issuing Attachment 1-D to the program participant. If the State does not have a USDA-funded mediation program, the program participant will have 10 days to select a mediation service provider. If a selection is not made within the allotted time, issuing Attachment 1-F to notify the program participant of the expiration to select a mediation service provider.

- Issuing Attachment 1-E to initiate mediation services to the selected provider.
- Ensuring the mediation is conducted within 45 days of receipt of the request.
- Issuing Attachment 1-G to the program participant if the mediation did not resolve the dispute.
- Communicating with all parties involved and ensuring they have a copy of the mediation documentation.

The ADR Coordinator is not responsible for attending mediations and hearings; that responsibility belongs to the Agency representative.

D. Agency Representative (Appeal Coordinator) Responsibilities

When the Servicing Office is taking an adverse action that is not under the jurisdiction of the Field Office, the Appeal Coordinator will represent the Agency; however, occasionally, another appropriate staff member may represent the Agency. The Appeal Coordinator is responsible for:

- Furnishing documentation that supports the adverse decision. Since the documentation is based on the adverse decision letter, the Appeal Coordinator needs to ensure that adverse decision letters list all the reasons for the denial and contains a brief narrative, the applicable program provisions, and pertinent facts.

- Representing the Agency in mediations and hearings. This may include a Servicing Office face-to-face hearing involving a servicing matter where the Servicing Office Appeals Coordinator requested the State Director to appoint Field Staff to attend the hearing and represent the Servicing Office. The Servicing Office Appeals Coordinator will provide sufficient documentation and phone resources to the person selected by the State Director to adequately represent the Agency in the case.

- Implementing the mediation/NAD decision within 30 days after the effective date of notice of the final determination.

1.10 AGENCY DECISIONS

A. Informal Administrative Review

When an Agency official makes a decision that will adversely affect a program participant, the participant is entitled to an opportunity for a separate informal administrative review by the decision maker or next level supervisor. The Agency official must give the program participant notice of their right to this review no later than 10 days after the date of adverse decision. If the

Paragraph 1.10 Agency Decisions [7 CFR 3550.4]

Informal review does not result in a resolution of the matter, Attachment 1-A, Informal Administrative Review, will be sent within 7 days.

B. Appealable Decisions

Attachment 1-B will be provided to the participant no later than 10 days after the adverse decision, which includes rights to seek a mediation/ADR with the Alternative Dispute Resolution (ADR) and/or request a hearing with National Appeals Division (NAD).

In cases where denial of assistance is based upon both appealable and non-appealable actions, the denial of assistance is not appealable. Attachment 1-C will be used in these cases and will include all reasons for the adverse decision.

C. Non-Appealable Decisions

Certain decisions made by the Agency cannot be appealed. In these cases, the participant is still offered an opportunity for an informal administrative review; however, appeal rights to NAD and mediation are not offered. The participant will be informed no later than 10 days after the adverse decision using Attachment 1-C, Non-Appealable Decision, which provides an opportunity to request an informal administrative review and/or NAD request to review the accuracy of the Agency's decision.

1.11 Participant Rights

The program participant can request applicable appeal options below within 30 days of receipt of the adverse action. The requests for an appeal can be submitted simultaneously; however, the options below should be performed in order. If an applicant chooses to skip any of the options below, doing so will waive their right to the previous option.



The program participant has the right to a face-to-face hearing in the participant's State of residence. The program participant also has the right to request that the hearing be handled by teleconference or a may choose a Record Review.

A. Informal Administrative Review

The program participant must make a request for an informal review in writing, and the request will be retained in the participant's case file. The borrower must submit a written request within 30 calendar days from when they receive an adverse decision letter. If unable to determine when the letter was received, count 7 calendar days after the date of the adverse decision letter (letter date + 7 days = receipt date of letter + 30 days = 37 days when request must be made). The informal administrative review can be conducted by the decision maker or representative

of the Agency through a telephone or face-to-face meeting at the Agency's discretion. The purpose of the informal administrative review is to further explain the Agency's reasons for the adverse decision, listen to why the participant feels the decision may be incorrect, and obtain any further information from the participant to support their request. The review must be completed within 45 days of the request. The participant will be notified of the outcome in writing using Attachment 1-A. The State Director may require that the decision be reviewed by the next-level supervisor or other designated Rural Development official prior to notifying the participant of the decision.

B. Mediation

Adverse decisions which are appealable to NAD also require that the participant be given the opportunity to seek mediation prior to conducting a hearing with NAD. The purpose of mediation is to resolve disputes through the use of a neutral mediator. Mediation must be completed within 45 days after the case is referred to the mediation source, unless the complexity of the case warrants a longer time frame and all parties agree to a specific time frame. A mediator will generally conduct a teleconference between the parties prior to accepting a case to determine if the case can be mediated.

There is generally a cost associated with participation in mediation. The cost is contingent upon the service provider. When there are costs, they will be shared equally between the Agency and the program participant, if Agency funds are available. Where Agency program funds are not available, the Agency will participate in mediation if requested by the program participant; however, the program participant will be notified in advance of the portion of the cost the Agency will pay (if any) and their estimated cost for this service. The State Director will ensure that all participants requesting mediation in their State are treated consistently and pay the same percentage of the cost toward this service. The State Director may also consent to pay a larger percentage (up to 100 percent) of the cost of mediation for participants with incomes below the federal poverty level. The Agency will issue Attachments 1-E and 1-F, notifying the participant a mediation source selected and cost of such service. If State funds are unavailable, the State Office PLCE Initiator will request Program Loan Cost Expense (PLCE) "A" funds from the National Office Budget Execution Branch. The State will provide a list of acceptable mediators to the participant and request the participant to select or provide an additional acceptable provider within 10 days.

If the program participant does not provide the name of a mediation provider within 10 days, Attachment 1-F is used to notify the program participant of expiration and their request for mediation will be considered withdrawn. Withdrawal or cancellation of a mediation does not extinguish the participant's right to request an appeal with NAD. There are three types of mediation services as follows:

Paragraph 1.11 Participant Rights [7 CFR 3550.4]

- **USDA-funded mediation program**

Many States have a mediation program that is annually certified by USDA. These programs are funded, in part, by USDA, and were established primarily to mediate cases originating from the Farm Service Agency (FSA). In States with a USDA-funded mediation program, program participants who are provided appeal rights will be generally referred to the USDA-funded mediation program. In States where alternative mediation sources are readily available at a lower cost than the USDA-funded mediation program, the State will follow the guidance for States with a CBMC or States without a USDA-funded mediation program, and include the USDA mediation program on the list of acceptable providers.

- **Community-Based Mediation Center**

A CBMC is a nonprofit, public entity operating under the guidance of a governing board. Its goal is to provide an alternative to the judicial system by the use of trained mediators located in the geographical area served. The CBMC provides mediation services to clients regardless of their ability to pay. In States without a USDA-funded State mediation program, the CBMC is an option. Customers with appeal rights who request mediation can be referred to the CBMC.

- **Alternative mediation service providers**

In States without a USDA-funded mediation program or access to a CBMC, Agency officials will provide a list of alternative mediation service providers. If there is a significant variation in cost between service providers, this option will not be used.

C. Appeal

Participants who wish to appeal an adverse decision must submit a written request to NAD within 30 days of receiving notice of an adverse decision. If unable to determine when the letter was received, count 7 calendar days after the date on the adverse decision letter [date on letter + 7 days = date of receipt of letter + 30 days = 37 days when request must be made]. The request must be signed by the participant and include: (1) a copy of the adverse decision to be appealed; and (2) a brief statement describing why the participant believes the decision is wrong.

Upon receiving a notice from NAD that an appeal has been filed, the Appeal Coordinator will promptly provide NAD with a copy of the Agency record, specific references in 7 CFR Part 3550 to support the adverse decision, and any other pertinent information. A copy will also be provided to the program participant.

NAD will notify the participant and the Agency once it has made a final determination. If NAD reverses the Agency's decision, the next loan processing action must take place within 30 days after the effective date of the notice; unless the Agency requests a review of the case by the Director of NAD. For more guidance on the Director review and other information regarding appeals, refer to [7 CFR Part 11](#).

1.12 NAD HEARING PREPARATION

Providing an Agency record means all the materials maintained by an Agency related to an adverse decision, including all materials prepared or reviewed by the Agency during its consideration and decision-making process related to the adverse decision. The Administrative Judge shall set a reasonable deadline for submission of the following documents:

(A.) By the appellant;

1. A short statement of why the decision is wrong;
2. A copy of any document not in the Agency record that the appellant anticipates introducing at the hearing; and
- (3) A list of anticipated witnesses and brief descriptions of the evidence such witnesses will offer.

(B.) By the Agency:

1. A copy of the adverse decision challenged by the appellant;
2. A written explanation of the Agency's position, including the regulatory or statutory basis therefor;
3. A copy of any document not in the Agency record that the Agency anticipates introducing at the hearing; and
4. A list of anticipated witnesses and brief descriptions of the evidence such witnesses will offer.

Not less than 14 days prior to the hearing, the National Appeals Division must provide the appellant, the authorized representative, and the Agency a notice of hearing specifying the date, time, and place of the hearing. The hearing will be held in the State of

Paragraph 1.12 NAD Hearing Preparation [7 CFR 3550.4]

residence of the appellant, as determined by the Administrative Judge, or at a location that is otherwise convenient to the appellant, the Agency, and NAD. The notice also shall notify all parties of the right to obtain an official record of the hearing.

A. Pre-Hearing Conference

Whenever appropriate, the Administrative Judge shall hold a pre-hearing conference in order to attempt to resolve the dispute or to narrow the issues involved. A pre-hearing conference shall be held by telephone unless the Administrative Judge and all parties agree to hold such conference in person.

B. Post-Hearing Procedure

The Administrative Judge may leave the hearing record open after the hearing, to allow the submission of information by the appellant or the Agency. The Agency representative is responsible to respond to new facts, information, arguments, or evidence presented or raised at the hearing. Any new information will be added to the hearing record and sent to the other party or parties by the submitter of the information.

C. Timing of Issuance of Determination

The Administrative Judge will issue a notice of the determination on the appeal to the named appellant, the authorized representative, and the Agency not later than 30 days after a hearing or the closing date of the hearing record in cases in which the Administrative Judge receives additional evidence from the Agency or appellant after a hearing. In the case of a record review, the Administrative Judge will issue a notice of determination within 45 days of receipt of the appellant's request for a record review.

D. Requests for a Director Review

The Appeal Coordinator is responsible for filing a request for a Directors review on reversed Agency decisions that have merit and are not favorable to the Agency. The SFH Administrator or a person acting in such capacity can submit a written request for a Directors review within 15 business days after receipt of Administrative Judge's decision. The request should include specific reasons why the Agency believes the determination is wrong, including citations of statutes or regulations that the Agency believes the determination violates. In consideration of the limited timeframe, the Appeal Coordinator should send a request immediately to the Servicing Office.

Director, which will be forward to the Single Family Housing Direct Loan Division in the National Office for review.

1. The program participant can submit a written request for a Director review within 30 days after receipt of the Administrative Judge's decision. The Director will review the Administrative Judge's decision to determine if it was correct. The request should include specific reasons why the appellant believes the determination is wrong.

2. A copy of a request for a Director review will be provided simultaneously by the submitter to each party to the appeal. The Director will determine whether the decision of the Administrative Judge is supported by substantial evidence. Based on such review, the Director will issue a final determination notice that upholds, reverses, or modifies the determination of the Administrative Judge. The Agency shall implement the final determination no later than 30 days after the effective date of the notice of the final determination.

3. Reconsideration of a determination of the Director may be requested by the appellant or the Agency within 10 days of receipt of the determination.

1.13 CONFLICT OF INTEREST [7 CFR 3550.9]

All employees must strive to maintain the highest levels of honesty, integrity, and impartiality in conducting their activities on behalf of the Agency. The Agency's requirements for handling assistance to employees, relatives, and associates are described in RD Instruction 1900-D. State Office, Servicing Office, and National Office employee relationships are reviewed by the State Director who will obtain the Administrator's written concurrence for application processing. To reduce the potential for conflicts of interest, all processing, approval, servicing, or review activity must be conducted by Agency employees who:



- Are not the recipient (applicant or borrower), a recipient's family member, or a close known relative and/or associate of the recipient;
- Do not have an immediate working relationship with the recipient, the Agency employee related to the recipient, or the Agency employee who would normally conduct the activity; and

Paragraph 1.13 Conflict of Interest [7 CFR 3550.9]

- Do not have a business or close personal association with the recipient.

A. Borrower Disclosure

Borrowers must disclose any known relationship or association with Agency employees when they apply for assistance through the Agency.

B. Agency Employee Disclosure

Agency employees must disclose any known relationship or association with a borrower, regardless of whether the relationship is known to others.

C. Disposition of REO Properties

Agency employees and members of their families are precluded from purchasing REO property, assumptions from Agency borrowers, or security property sold at a foreclosure sale. Closing agents and members of their families are precluded from purchasing properties in which they have been professionally involved.

1.14 OTHER FEDERAL REQUIREMENTS



Environmental Requirements [7 CFR 3550.5]

The Agency considers environmental quality equally with economic, social and other factors in its program development and decision-making processes. Both the Loan Originator and the Loan Approval Official are responsible for effectively integrating Agency environmental policies and procedures with loan and grant origination and servicing activities. Agency environmental policies and procedures and historic preservation requirements can be found in RD Instruction 1970. Agency-assisted properties also must meet the lead-based paint requirements contained in Exhibit H of RD Instruction 1924-A. Resolution of conflicts or significant differences between Agency environmental regulations and State or local environmental laws requires prior consultation with the appropriate State Environmental Coordinator and, if necessary, National Office environmental staff.



Construction Standards

Sites and dwellings developed or rehabilitated with Section 502 funds must meet the construction standards outlined in RD Instructions 1924-A and 1924-C. Existing dwellings must be decent, safe, and sanitary and meet all applicable State and local codes.



Administrative Requirements

Agency employees must comply with Agency and Departmental administrative requirements.

1. Procurement

Goods and services procured to support Agency activities such as appraisals, inspections, broker services, and property management services must conform with the policies and procedures of RD Instruction 2024-A.

2. File Management

Files and other Agency records must be maintained in accordance with RD Instruction 2033-A.

3. Handling Funds

Funds received in the Field Office that are not part of a borrower's regular installment, for example, credit report fees or appraisal fees are forwarded to the Servicing Office using *Form RD 3550-17, Funds Transmittal Report*. If a borrower did not receive a billing statement, Field Staff can submit the payment using *Form RD 3550-27, Substitute Payment Coupon*.

1.15 EXCEPTION AUTHORITY [7 CFR 3550.8]



Exceptions to any requirement of this handbook or 7 CFR Part 3550 can be approved in individual cases by the Administrator or designee if application of the requirement or failure to take action would adversely affect the Government's interest. Any exception must be consistent with the authorizing statute and other applicable laws.

Requests for exceptions are submitted to the Administrator or designee through the Deputy Administrator, Single Family Housing and may be initiated by the State Director; the Deputy Administrator, Single Family Housing; the Deputy Administrator, Servicing Office; or the Director, Single Family Housing Direct Loan Division.

Paragraph 1.12 Exception Authority [7 CFR 3550.8]

The exception request must provide clear and convincing evidence of the need for the exception. At a minimum the request must include:

- A full explanation of the circumstances, including an explanation of the adverse effect on the Government's interest;
- A discussion of proposed alternatives considered; and
- A discussion of how the adverse effect will be eliminated or minimized if the exception is granted.

Requests for exceptions regarding architectural and engineering, environmental, or civil rights issues must also include the review and comments of the applicable State Office Technical Staff. The Deputy Administrator, Single Family Housing will coordinate these exception requests with the applicable National Office technical staff prior to submission to the Administrator.

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**ATTACHMENT 1-A
INFORMAL ADMINISTRATIVE REVIEW**

(DATE)

We appreciated the opportunity to review the facts relative to your [request for assistance, or reduction or termination of benefits, or foreclosure]. We regret the outcome did not grant the assistance you requested [or will terminate or reduce the assistance you are currently receiving, or will give you relief from foreclosure].

If you believe that facts used in this case are in error, you may pursue the alternative options listed in the attached adverse decision letter within 30 days of receipt of this letter.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

Attachment (adverse decision letter)

Copies for: State and/or National Office Program Director
Servicing Office for SFH servicing cases

**ATTACHMENT 1-B
AN APPEALABLE ADVERSE DECISION**

(DATE)

The described action in the attached letter [did not grant you the assistance you requested or will terminate or reduce the assistance you are currently receiving]. If you believe this decision or the facts used in this case are in error, you may pursue any or all of the following three options below. All three options may be requested simultaneously and must be requested in writing within **30 days** from the date adverse decision letter is received. If all options are requested and a resolution is reached the next available option can be canceled; however; if an option is skipped you will automatically waive the right to the previous option.

Option 1 - Request an Informal Administrative Review

You may request an Agency official review of this determination by filing a written request no later than 30 days after you receive this notice. If you request a review reconsideration, you have the right to an informal hearing which you or your representative may attend either personally or by telephone. If you choose to seek reconsideration, you may later appeal the determination to the National Appeals Division. To request reconsideration, write to the following address and explain why you believe this determination is erroneous. The address of the Field Office:
(Insert applicable address.)

Option 2 - Request Mediation (Alternative Dispute Resolution)

Mediation is available as part of Rural Development's informal appeal process. Mediation may enable us to narrow the issues and resolve the matter by mutual agreement. If your state does not have a participating USDA-funded mediation program, you may have to pay all or part of the cost of mediation. If you request mediation, the continuation of the time frame in which you may request an appeal stops. When mediation closes, the clock restarts and you will have the balance of the days remaining in that period to request an appeal. To request mediation, you must submit your written request no later than 30 days after you receive this notice. To request mediation, write to the RD State Director at the following address:

- *(Insert applicable address.)*[Rural Development State Director]

Option 3 - Request an Appeal Hearing to the National Appeals Division (NAD)

You may appeal this determination to NAD by filing a written request no later than 30 days after you receive this notice in accordance with the NAD Appeal procedures found at [7 CFR Part 11](#). If you appeal to NAD, you have the right to a hearing which you or your representative may attend. Once a hearing with NAD begins, you waive any rights you might have to reconsideration and mediation. To appeal, you must write to NAD at the following address, explain why you believe this determination is erroneous, and provide a copy to RD. You must personally sign your written appeal to NAD and include a copy of this letter or file an appeal online at the following website <https://www.usda.gov/oha/nad/appeals>

:

[NAD Assistant Director Address] [Rural Development State Director]

If you do not timely exercise one of the preceding options, this shall be the final administrative determination with respect to this matter in accordance with the regulations at [7 CFR Part 11](#).

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

Attachment (adverse decision letter)

Copies for: State and/or National Office Program Director
Servicing Office for SFH servicing cases

ATTACHMENT 1-C
AN ADVERSE DECISION THAT CANNOT BE APPEALED

The decision described in the attached letter did not grant you the assistance you requested or will terminate or reduce the assistance you are currently receiving. If you believe that this decision is erroneous, you have the following options.

Option 1 - Request an Informal Administrative Review

You may request an Agency official review this determination by filing a written request no later than 30 days after you receive this notice. If you request reconsideration, you have the right to an informal hearing which you or your representative may attend either personally or by telephone. If you choose to seek reconsideration, you may later appeal the determination to the National Appeals Division. To request reconsideration, write to me at the following address and explain why you believe this determination is erroneous. The address of the Field Office:

(Insert applicable address.)

Option 2 - Request a Review by the National Appeals Division (NAD)

Applicants and borrowers generally have the right to appeal adverse decisions, but decisions based on certain reasons cannot be appealed. We have determined that reasons for this decision cannot be appealed under our regulations. You may request ~~an appeal for the~~ a review of the accuracy of our findings, that the decision cannot be appealed, to NAD by filing a written request no later than 30 days after you receive this notice in accordance with the NAD Appeal procedures found at [7 CFR Part 11](#).

[NAD Assistant Director Address] [Rural Development State Director]

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade.

Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U.

S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

Attachment (adverse decision letter).

Copies for: State and/or National Office Program Director Servicing Office for SFH servicing cases

**ATTACHMENT 1-D
NOTIFICATION TO APPLICANTS OR BORROWERS OF THE
ASSIGNMENT OF THEIR CASE TO A MEDIATION SERVICE
PROVIDER**

DATE:

TO: [Program Participant]

FROM: Rural Development State Director

SUBJECT: Request for Mediation Services

This replies to your request for the mediation of your adverse decision. Your request has been referred to a [USDA-funded State mediation program] [Community-Based Mediation Center] or [you must select from the attached list of certified mediation providers].

As indicated in our adverse decision letter, there may be a cost for the mediation. The following is an estimate, but you will be advised by the mediation service provider if there will be a cost. Rural Development policy is to pay 50 percent of the reasonable cost for mediation.

\$ USDA-funded State mediation program [and address]

\$ Community-Based Mediation Center or Other Mediation Service Provider [and address]

Attached is an alphabetical list of certified mediators to select a mediator, or subject to our concurrence you may request the use of another mediator.

Within 10 days of the date of this letter, you must provide this office, in writing, with the concurrence/selection of the mediator. If you do not, you will waive your right to mediation. Rural Development will then contact the mediator, who in turn will contact you to determine if they can mediate the issues in your case. You will then have 45 days to complete the mediation.

When the mediation is concluded, you may file an appeal of the original adverse decision by immediately contacting the National Appeals Division (NAD):

[NAD Assistant Director Address]

Once you have been contacted by the mediation provider and if you decide not to pursue mediation, you must immediately contact this office (address at the top of this letter). You are responsible for all costs incurred by the mediation provider from the time of selection until your cancellation.

Mediation, or the cancellation of mediation, does not affect your rights to seek an appeal with NAD.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

Copies for: State and/or National Office Program Director
Servicing Office for SFH servicing cases
State ADR Coordinator

ATTACHMENT 1-E
REQUEST TO A MEDIATION SERVICE PROVIDER

DATE:

TO: [Mediation Service Provider] FROM: Rural Development State Director

SUBJECT: Request for Mediation

CUSTOMER: [Name of the Rural Development customer requesting mediation] [Customer contact information]

The above Rural Development customer has received an adverse decision from our Agency and has requested mediation. Attached is a copy of the adverse decision letter and the customer's request for mediation.

Informal Administrative Review

_____ The Customer was provided with the opportunity for an informal administrative review with the Agency; however, the customer chose not to exercise this option.

_____ An informal administrative review was conducted; however, the Agency did not reverse its decision.

Jurisdiction of the Case

The adverse decision in this case was made by the following office. You should contact this office for further information on the case:

[Agency contact: program, individual, address phone and email]

Payment for Service

The Rural Development policy is to pay 50 percent of the reasonable cost of the mediation service and the customer will pay 50 percent. In addition, we encourage the mediation service to consider the customer's ability to pay. The customer is solely responsible for their portion of the cost of this service and should be billed directly. The bill for the Agency's portion should be submitted to this Rural Development State Office:

[State ADR Coordinator Name and Address]**Jurisdiction of case:**

Mediation must be completed within 45 days from the date of this letter, unless both parties agree to an extension. We also request a teleconference prior to your acceptance of this case to determine whether the adverse decision lends itself to mediation by your service.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

Attachments (2): Adverse decision letter

Customer's request for mediation

Copies for: State and/or National Office Program Director
Servicing Office for SFH servicing cases
State ADR Coordinator

ATTACHMENT 1-F
ATTACHMENT FOR NOTIFYING CUSTOMERS OF EXPIRATION OF
THE 10 DAYS TO SELECT A MEDIATION SERVICE PROVIDER

DATE:

TO: [CUSTOMER]

FROM: [State Director]

SUBJECT: Expiration of Selection of Mediation Service Provider

On [date], you requested mediation of the adverse decision as outlined in the attached letter which did not [grant the assistance you requested or will terminate or reduce the assistance you are currently receiving, or will give you relief from foreclosure]. You were also informed that you had 10 days from [date] to either concur in the mediation service assigned by Rural Development to your case, or name another mediation service for our consideration.

The 10 days to acknowledge the selection of the mediation service provider has expired. Your request for mediation therefore has expired, and Rural Development will begin to process the initial adverse decision as outlined in the attached letter.

Request an Appeal Hearing

Your request for mediation did not take the place of, or limit your right to request an appeal to the National Appeals Division (NAD). You may request an appeal hearing by NAD as long as there are days remaining from the original 30 days to request an appeal as outlined in the original adverse decision letter. You must immediately contact the NAD Assistant Director for your region (at the following address) to determine if you can file for an appeal hearing.

[NAD Assistant Director Address]

There is no cost for an appeal hearing. Your request must state the reasons why you believe the decision is wrong, be personally signed by you, and include a copy of the attached original decision letter. A copy of your request must also be sent to the Rural Development State Director:

[Rural Development State Director Address]

You, or your representative or counsel, may contact this office at anytime during regular office hours to examine or copy the Agency's record relative to the adverse decision. Photocopies will be provided to you. Your representative or counsel must have your written authorization to represent you and review your file. The NAD Administrative Judge will contact you regarding a time and place for the hearing.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.
Attachments (2)

Copies for: State and/or National Office Program Director
Servicing Office for SFH servicing cases
State ADR Coordinator

ATTACHMENT 1-G
ATTACHMENT FOR CUSTOMER NOTIFICATION OF UNRESOLVED
RESULT OF THE MEDIATION OF THE ADVERSE DECISION

DATE:

TO: [CUSTOMER]

FROM: [State Director]

SUBJECT: Unresolved Result of the Requested Mediation

Your request for mediation has been completed. We regret that mediation did not result in resolution of the issues. [We are unable to grant the assistance you requested, or will terminate, or will reduce the assistance you requested].

If you believe the decision or facts used in the case are in error, you may continue to pursue your right to an appeal by the National Appeals Division (NAD). There is no cost for an appeal.

Please follow the guidance in the paragraph indicated with an "X."

You requested an appeal hearing to NAD prior to entering into mediation. You must immediately write to the Assistant Director of NAD at the address below to determine the number of days remaining, if any, to schedule the appeal hearing.
[NAD Regional Assistant Director Address]

You did not request an appeal hearing to NAD prior to entering into mediation. If you wish to schedule an appeal hearing, you must immediately write to the Assistant Director of NAD at the address below to determine the number of days remaining, if any, to schedule the appeal hearing. Your appeal request must be received within the remaining days, as determined by NAD, from the date when you requested mediation.

[NAD Regional Assistant Director Address]

Information Regarding Appeals

If NAD determines that you have appeal rights and you want to exercise those appeal rights, you, or your representative or counsel, may contact this office at anytime during regular office hours to examine or to have copied the Agency's record relating to the original adverse decision. Photocopies will be provided. Your representative or counsel must have your written authorization to represent you and review your file.

The NAD Administrative Judge will contact you regarding a time and place for the hearing. You may also request a teleconference hearing in lieu of the face-to-face hearing. At any time before the scheduled hearing, you may also request that the Administrative Judge make a decision without a hearing.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

Copies for: State and/or National Office Program Director
Servicing Office for SFH servicing cases
State ADR Coordinator
