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as provided in §1980.190(c) of this section, a lender may allow proceeds from the disposition of collateral, such as machinery, equipment, furniture, or fixtures to be used to acquire replacement collateral of similar nature and value only with written agreement from FmHA or its successor agency under Public Law 103–354.

(l) Assuring that insurance loss payments, condemnation awards, or similar proceeds are applied to debts in accordance with lien priorities on which the guarantee was based, or to rebuilding or acquiring needed replacement collateral with the written approval of FmHA or its successor agency under Public Law 103–354.

(m) Seeing that all construction is properly planned before any work proceeds; that any required permits, licenses or authorizations are obtained from the appropriate regulatory agencies; that the borrower has obtained contracts through acceptable procurement procedures; that periodic inspections during construction are made; and that FmHA or its successor agency under Public Law 103–354 agrees to the overall development schedule.

[58 FR 34334, June 24, 1993, as amended at 61 FR 35934, July 9, 1996]

§1980.131 Appraisal review.

The State Director or designee(s) will:

(a) Provide for the framework of the real estate appraisal review and monitoring function and the documentation thereof;

(b) Perform appraisal reviews in accordance with the requirements of Standard 3 of the USPAP and perform at least one appraisal review per fiscal year for either each appraiser, or each lending institution that prepares, or uses, a real estate appraisal for the guaranteed program in a given fiscal year; and

(c) Provide appraisal training and guidance to assist State and field office personnel in making guaranteed approval decisions and serve as a resource to approval and underwriting officials performing administrative appraisal reviews, as needed.

[58 FR 34335, June 24, 1993]

§§1980.132—1980.135 [Reserved]

§1980.136 Protective advances.

Protective advances are advances made by a lender when the borrower is in liquidation or close to being liquidated to protect or preserve the collateral itself from loss or deterioration. Protective advances include advances made for property taxes, annual assessments, ground rent, hazard or flood insurance premiums affecting the collateral, and other expenses necessary to preserve or protect the security. Attorney fees are not a protective advance.

(a) The Agency's written authorization is required on all protective advances in excess of $3,000 made by a CLP lender. For non-CLP lenders, the amount is $500.

(b) Protective advance requests requiring Agency approval must be accompanied by a repayment plan showing adequate repayment ability for the advance and all other debts. If a feasible repayment plan cannot be developed, a liquidation plan will be submitted with the protective advance request.

(c) The County Supervisor is authorized to approve protective advances up to $10,000 and will consult with the lender on future servicing of the account. The State Director is authorized to approve protective advances in excess of $10,000. Such protective advances must be approved in writing by the County Supervisor or State Director.

(d) Protective advances must constitute a debt of the borrower to the lender and be secured by the security instruments.

(e) It is not intended that protective advances be made in lieu of additional loans.

[58 FR 34335, June 24, 1993, as amended at 61 FR 35934, July 9, 1996]

§§1980.137—1980.138 [Reserved]

§1980.139 Termination of Loan Note Guarantee or Contract of Guarantee.

See paragraph 12 of Form FmHA or its successor agency under Public Law 103–354 449–34, or paragraph 6 of Form