

§ 1924.274

at any level, the claimant will be informed in writing of the reason(s) for the denial and advised of appeal rights in accordance with subpart B of part 1900 of this chapter.

(b) [Reserved]

EFFECTIVE DATE NOTE: At 67 FR 78327, Dec. 24, 2002, §1924.273 was amended in paragraph (a) by revising the words “subpart B of part 1900 of this chapter” to read “7 CFR part 11” effective January 23, 2003.

§ 1924.274 Final inspection.

Except for emergency repairs, all repair work must be performed in accordance with subpart A of this part. In all cases, FmHA or its successor agency under Public Law 103-354 will make a final inspection of the repair work performed before final payment is made for the work.

§ 1924.275 [Reserved]

§ 1924.276 Action against contractor.

If FmHA or its successor agency under Public Law 103-354 pays for correction of construction defects which are the responsibility of the contractor, debarment proceedings will be initiated against the contractor in accordance with subpart M of part 1940 of this chapter (available in any FmHA or its successor agency under Public Law 103-354 office), even if the contractor has gone out of business, declared bankruptcy, cannot be located, etc. The debarment will be pursued in both the contractor's company name and the principal parties as individuals, and any successor entities, if known. If the manufacturer of the defective product is determined to be solely responsible, no action will be taken against the contractor. In such a case, debarment will be initiated against the manufacturer. An assignment of the borrower's claim against the contractor or other party will be obtained if it appears to the approval officials, with any necessary advice from the Office of the General Counsel, that recovery is reasonably possible.

§§ 1924.277-1924.299 [Reserved]

§ 1924.300 OMB control number.

The reporting and recordkeeping requirements contained in this regula-

7 CFR Ch. XVIII (1-1-03 Edition)

tion have been approved by the Office of Management and Budget (OMB) and have been assigned OMB control number 0575-0082. Public reporting burden for this collection of information is estimated to vary from 15 minutes to 2 hours per response, with an average of .28 hours per response including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB #575-0082), Washington, DC 20503.

PART 1925—TAXES

Subpart A—Real Estate Tax Servicing

Sec.

- 1925.1 General.
- 1925.2 Definition of tax.
- 1925.3 Servicing taxes.
- 1925.4 Servicing delinquent taxes.
- 1925.5-1925.50 [Reserved]

AUTHORITY: 7 U.S.C. 1989; 42 U.S.C. 1480; 5 U.S.C. 301; 7 CFR 2.23; 7 CFR 2.70.

SOURCE: 57 FR 36590, Aug. 14, 1992, unless otherwise noted.

Subpart A—Real Estate Tax Servicing

§ 1925.1 General.

This Instruction applies to borrowers with a Farm Ownership (FO), Operating Loan (OL), Soil and Water (SW), Recreation Loan (RL), Emergency (EM), Economic Opportunity (EO), Rural Rental Housing (RRH), Rural Cooperative Housing (RCH), Labor Housing (LH), Softwood Timber (ST), and Non-Program (NP) loans secured by real estate. It also applies to section 502 and section 504 Rural Housing borrowers (Single Family Housing (SFH)) who also have a Farmer Program loan. It does not apply to borrowers who have a SFH loan only; those will be serviced under §1965.105 of subpart C of part 1965 of this chapter. Borrowers are

RHS, RBS, RUS, FSA, USDA

§ 1925.4

responsible for paying taxes on the real estate security to the proper taxing authorities before taxes become delinquent. This obligation is set forth in the security instrument securing the loan.

EFFECTIVE DATE NOTE: At 67 FR 78327, Dec. 24, 2002, §1925.1 was amended by revising the words “§1965.105 of subpart C of part 1965 of this chapter” to read “7 CFR part 3550” effective January 23, 2003.

§ 1925.2 Definition of tax.

For the purpose of this instruction, the word “tax” means all taxes, assessments, levies, irrigation and water charges or other similar obligations which are or will, on nonpayment, become a lien upon the real estate prior to the mortgage securing the Farmers Home Administration (FmHA) or its successor agency under Public Law 103-354 loan.

§ 1925.3 Servicing taxes.

(a) The County Supervisor will be responsible for ascertaining that all mortgaged real estate is listed properly for tax purposes.

(b) The County Supervisor will be responsible for taking all actions in connection with taxes as may be necessary to protect the Government’s security interests. Any unusual situations that may arise with respect to tax servicing should be referred to the State Office for consideration.

(c) The County Supervisor will encourage each borrower to pay taxes promptly in order to avoid any penalties. Normally, this can be accomplished through routine servicing of loans by emphasizing the advantages of setting aside sufficient income to meet tax obligations when they become due. Taxes will be adequately budgeted for those borrowers with whom Form FmHA or its successor agency under Public Law 103-354 431-2, “Farm and Home Plan,” is developed. Each borrower will be encouraged to notify the County Supervisor when he has paid his taxes. After the delinquent date, it will be necessary for the County Supervisor to determine the borrowers whose taxes are delinquent. Forms FmHA or its successor agency under Public Law 103-354 1905-1, “Management System Card-Individual,” FmHA or its suc-

cessor agency under Public Law 103-354 1905-5, “Management System Card-Individual (Rural Housing Only),” and FmHA or its successor agency under Public Law 103-354 1905-10, “Management System Card-Association,” will be used in posting servicing action on delinquent taxes.

§ 1925.4 Servicing delinquent taxes.

(a) The County Supervisor will contact each borrower with a delinquent tax and make every practical effort to have him pay the tax with his own funds. He will use the Management System Card for follow-up of delinquent taxes. If the delinquent tax is not paid and the borrower comes to the office with proceeds for application on the FmHA or its successor agency under Public Law 103-354 account secured by the real estate, the County Office personnel will endeavor to get the borrower to use the proceeds to pay the delinquent tax. If the amount of the delinquent tax is less than the amount of the proposed payment, the difference will be applied on the FmHA or its successor agency under Public Law 103-354 account in accordance with the policy outlined in FmHA or its successor agency under Public Law 103-354 Instructions 1951-A and 1951-G.

(b) Prior (usually about 90 days) to the time it is legally possible for action to be taken that will cause the borrower to lose title or right of possessions of the security property or the use of essential water, the County Supervisor will contact the borrower and definitely determine if he will pay the delinquent tax immediately. If the borrower is unable or unwilling to pay the delinquent tax with his own funds after every appropriate effort has been made to have him do so, the County Supervisor will refer to FmHA or its successor agency under Public Law 103-354 Instruction 2024-A and utilize the Type 60 Purchase Order System to pay the amount of the delinquent taxes plus the amount of any accrued penalty to bring taxes current.

(1) In an exceptional case where reasons for delinquent taxes have been removed and planned income during the next year covers payment of current obligations plus delinquent taxes not vouchered, only the delinquent taxes

will be paid that could cause the borrower to lose title or right of possession of security property.

(2) If the Government is holding a mortgage other than a first mortgage on the property, do not initiate payment request until the County Supervisor has determined that (i) the prior lien holder will not pay the delinquent tax, (ii) the Government's security will be jeopardized if the delinquent tax is not paid, and (iii) the value of the security is sufficient to justify the advance.

EFFECTIVE DATE NOTE: At 67 FR 78327, Dec. 24, 2002, §1925.4 was amended in paragraph (a) by revising the words “FmHA or its successor Agency under Public Law 103–354 Instructions 1951–A and 1951–G” to read “subpart A of part 1951 of this chapter” effective January 23, 2003.

§§ 1925.5–1925.50 [Reserved]

PART 1927—TITLE CLEARANCE AND LOAN CLOSING

Subpart A [Reserved]

Subpart B—Real Estate Title Clearance and Loan Closing

- Sec.
- 1927.51 General.
- 1927.52 Definitions.
- 1927.53 Costs of title clearance and closing of transactions.
- 1927.54 Requirements for closing agents.
- 1927.55 Title clearance services.
- 1927.56 Scheduling loan closing.
- 1927.57 Preparation of closing documents.
- 1927.58 Closing the transaction.
- 1927.59 Subsequent loans and transfers with assumptions.
- 1927.60–1927.99 [Reserved]
- 1927.100 OMB control number.

AUTHORITY: 5 U.S.C. 301; 7 U.S.C. 1989; 42 U.S.C. 1480.

SOURCE: 61 FR 11711, Mar. 22, 1996, unless otherwise noted.

Subpart A [Reserved]

Subpart B—Real Estate Title Clearance and Loan Closing

1927.51 General.

(a) *Types of loans covered by this subpart.* This subpart sets forth the authorities, policies, and procedures for real estate title clearance and closing

of loans, assumptions, voluntary conveyances and credit sales in connection with the following types of Rural Housing Service (RHS) and Farm Service Agency (FSA) loans: Farm Ownership (FO), Nonfarm Enterprise (FO–NFE), Emergency (EM), Operating (OL), Rural Housing (RH), Farm Labor Housing (LH), Rural Rental Housing (RRH), Rural Cooperative Housing (RCH), Soil and Water (SW), Indian Land acquisition loans involving nontrust property, and NonProgram (NP) loans. This subpart does not apply to guaranteed loans.

(b) *Programs not covered by this subpart.* Title clearance and closing for all other types of agency loans and assumptions will be handled as provided in the applicable program instructions or as provided in special authorizations from the National Office.

(c) [Reserved]

(d) Copies of all agency forms referenced in this regulation and the agency's internal administrative procedures for title clearance and loan closing are available upon request from the agency's State Office. Forms and title clearance and loan closing requirements which are specific for any individual state must be obtained from the agency State Office for that state.

1927.52 Definitions.

Agency. The Rural Housing Service (RHS) and Farm Service Agency (FSA) or their successor agencies.

Approval official. The agency employee who has been delegated the authority to approve, close, and service the particular kind of loan, will approve an attorney or title company as closing agent for the loans. If a loan must be approved at a higher level, the initiating office may approve the closing agent.

Approved attorney. A duly licensed attorney, approved by the agency, who provides title opinions directly to the agency and the borrower or upon whose certification of title an approved title insurance company issues a policy of title insurance. Approved attorneys also close loans, assumptions, credit sales, and voluntary conveyances and disburse funds in connection with agency loans. Approved attorney is further defined in §1927.54(c).