

§ 1902.1

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EXHIBIT A TO SUBPART A [RESERVED]
EXHIBIT B TO SUBPART A—UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION OR ITS SUCCESSOR AGENCY UNDER PUBLIC LAW 103-354—INTEREST-BEARING DEPOSIT AGREEMENT

Subparts B–C [Reserved]

AUTHORITY: 5 U.S.C. 301; 7 U.S.C. 1989; 7 U.S.C. 6991, et seq.; 42 U.S.C. 1480; Reorganization Plan No. 2 of 1953 (5 U.S.C. App.).

Subpart A—Supervised Bank Accounts of Loan, Grant, and Other Funds

SOURCE: 46 FR 36106, July 14, 1981, unless otherwise noted.

§ 1902.1 General.

This subpart prescribes the policies and procedures in establishing and using supervised bank accounts, and in placing Multi-Family Housing (MFH) reserve accounts in supervised bank accounts. 7 CFR part 2018, subpart D, provides the procedures Servicing Officials should follow in ordering loan and grant disbursements.

(a) Borrowers referred to in this subpart include both loan and grant recipients. They are referred to as “depositors” in the deposit agreements herein-after described. References herein and in deposit agreements to “other lenders” include lenders and grantors other than Rural Development.

(b) Banks and savings associations referred to in this subpart are those in which deposits are insured by the FDIC.

(c) Credit unions referred to in this subpart are those in which deposits are insured by the NCUA.

(d) Financial institutions as referred to in this subpart include banks, savings associations, and credit unions which are covered by the proper insurance coverage cited in paragraphs (b) and (c) of this section.

(e) Supervised bank accounts referred to in this subpart are bank, savings association, or credit union accounts es-

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tablished through deposit agreements entered into between the borrower, the United States of America acting through Rural Development, and the Financial Institution on Form RD 402-1, “Deposit Agreement”.

(f) Form RD 402-1 provides for the deposit of funds in a supervised bank account to ensure the performance of the borrower’s obligation to Rural Development in connection with a loan and/or grant.

(g) “Interest-Bearing Deposit Agreement” (Exhibit B of this subpart), provides for the deposit of loan or grant funds that are not required for immediate disbursement in specified interest-bearing deposits, and it is executed in conjunction with Form RD 402-1.

(h) Servicing officials referred to in this instruction include county supervisors, district directors, local supervisors, area supervisors, and National Office grant program managers.

(i) Automated systems referred to in this instruction refers to the loan accounting systems; e.g., Program Loan Accounting System, Automated Multi-Housing Accounting System, and Dedicated Loan Origination System, from which loan and grant disbursements are ordered.

(j) This subpart includes the National Office directly servicing a grant recipient or recipient of cooperative agreement funds.

[70 FR 59225, Oct. 12, 2005]

§ 1902.2 Policies concerning disbursement of funds.

(a) Generally, loan and grant disbursements may be requested on an as needed basis, thereby reducing the need for supervised bank accounts. For all construction loans and those loans using multiple advances, only the actual amount to be disbursed at loan closing will be requested through the automated systems. Subsequent disbursements will be ordered as needed. However, supervised bank accounts may be used in certain circumstances. For example:

(1) When a construction loan is made and the construction is substantially completed, but a small amount is being withheld pending completion of landscaping or some similar item. In this case, funds not disbursed may be placed