§ 1902.3 Procedures to follow in fund disbursement.

(a) The Servicing Official will determine during loan approval the amount(s) of loan or grant disbursement(s)—full or partial—and will process the request to the appropriate automated system in accordance with 7 CFR part 2018, subpart D.

(b) When Treasury check(s) are delivered to the Servicing Official, the Servicing Official will make sure that the name of the borrower and the amount(s) of check(s) coincide with the request on file. The Servicing Official should be sure that the check is properly endorsed to ensure payment to the intended recipient. Examples of such restrictive endorsements are:

1. ‘‘For Deposit only to Account No. [Number of Construction Account] of [Name of Borrower] in [Name of Financial Institution].’’

2. ‘‘Pay to the order of [3rd party payee]—[Contractor, Developer, Sub-Contractor, Building Supply House, etc.] for the purpose of [insert purpose].’’

(c) When necessary, and only under the circumstances listed in §1902.2, the Servicing Official will establish, or cause to be established, a supervised bank account. Funds deposited in a supervised bank account are to be recorded and accounted for on Form RD 402–2, ‘‘Statement of Deposits and Withdrawals’’.

§ 1902.4 Establishing MFH reserve accounts in a supervised bank account.

(a) General requirements. All MFH borrowers required to maintain reserve accounts must place the reserve accounts in a supervised bank account(s) which meets the following requirements:

1. Countersignature requirements. The Reserve account must require that any funds withdrawn be countersigned by an authorized FmHA or its successor agency under Public Law 103–354 official.

2. Restrictions on collateral. The financial institution holding the reserve account must ensure that any liens, or advances by other creditors, regardless of the provisions of the State laws involved.

[70 FR 59225, Oct. 12, 2005]
Establishing supervised bank accounts.

(a) Each borrower will be given an opportunity to choose the financial institution in which the supervised bank account will be established, provided the financial institution is a member of the FDIC or NCUA, as applicable.

(b) When accounts are established, it should be determined that:

1. The financial institution is fully informed concerning the provisions of the applicable deposit agreement,
2. Agreements are reached with respect to the services to be provided by the financial institution including the frequency and method of transmittal of checking account statements, and
3. An agreement is reached with the financial institution regarding the place where the counter-signature will be on the checks.

(c) When possible, Servicing Officials will make arrangements with financial institutions to waive service charges in connection with supervised bank accounts. However, there is no objection to the payment by the borrower of a reasonable charge for such service.

(d) For each borrower, if the amount of any loan and grant funds, plus any borrower contributions and funds from other sources to be deposited in the supervised bank account will exceed $100,000, the financial institution will be required to pledge collateral for the excess over $100,000 before the deposit is made (see §1902.7 of this subpart). If the supervised bank account is a joint account, any amount over the FDIC- or NCUA-insured limit must be collateralized.