necessary documents as outlined in §1955.5(d) of this subpart and the costs will be charged to the borrower’s account as recoverable costs. This includes taxes and assessments, water charges which protect the right to receive water, other liens, closing agent’s fee, and any other costs related to the conveyance.

(h) Actions to be taken after closing conveyance. (1) When the FmHA or its successor agency under Public Law 103–354 account is satisfied, the note(s) will be stamped “Satisfied by Surrender of Security and Borrower Released from Liability,” and the statement must be signed by the servicing official.

(2) When the FmHA or its successor agency under Public Law 103–354 account is not satisfied and the borrower is not released from liability, the note(s) will be retained by FmHA or its successor agency under Public Law 103–354.

(3) The servicing official will release the lien(s) of record, indicating that the debt was satisfied by surrender of security or that the lien is released but the debt not satisfied, whichever is applicable. If the lien is to be released but the debt not satisfied, OGC will provide the type of instrument required to comply with applicable State laws.

(4) After release of the lien(s), the servicing official will return the following to the borrower:

(i) If borrower is released from liability, the satisfied note(s) and a copy of Form FmHA or its successor agency under Public Law 103–354 1955–1 showing acceptance by the Government; or

(ii) If borrower is not released from liability, a copy of Form FmHA or its successor agency under Public Law 103–354 1955–1 showing acceptance by the Government.

(5) When the FmHA or its successor agency under Public Law 103–354 account is not satisfied and the borrower not released from liability, the account balance, after deducting the “as is” market value and prior liens, if any, will be accelerated utilizing exhibit F of this subpart (available in any FmHA or its successor agency under Public Law 103–354 office).

(6) For MFH loans, the State Director will cancel any interest credit and suspend any rental assistance. These actions will be accomplished by notifying the Finance Office unit which handles MFH accounts. In the interim the tenants will continue rental payments in accordance with their lease. Tenants will be informed of the pending liquidation action and the possible consequences of the action. If the project is to be removed from the Rural Development program, a minimum of 180 days’ notice to the tenants is required. Letters of Priority Entitlement must be made available to any tenants that will be displaced.

(7) Actions outlined in §1955.18 of this subpart will be taken, as applicable.


§ 1955.11 Conveyance of property to FmHA or its successor agency under Public Law 103–354 by trustee in bankruptcy.

(a) Authority. With the advice of OGC (and prior approval of the National Office for MFH, Community Programs, and insured B&I loans), the State Director within his/her authority is authorized to accept a conveyance of property to the Government by the Trustee in Bankruptcy, provided:

(1) The Bankruptcy Court has approved the conveyance;

(2) The conveyance will permit a substantial recovery on the FmHA or its successor agency under Public Law 103–354 debt; and

(3) FmHA or its successor agency under Public Law 103–354 will acquire title free of all liens and encumbrances except FmHA or its successor agency under Public Law 103–354 lien.

(b) Fees and deed. (1) FmHA or its successor agency under Public Law 103–354 may pay any necessary and proper fees approved by the bankruptcy court in connection with the conveyance. Before paying a fee to a trustee for a Trustee’s Deed in excess of $300 for any loan type other than Farmer Programs or $1,000 for Farmer Program loans, prior approval of the Administrator must be obtained. The State Director will process the necessary documents as outlined in §1955.5(d) of this subpart for payment of fees as recoverable costs.
(2) Conveyance may be by Trustee’s Deed instead of a warranty deed. If upon advice of OGC it is determined a deed from any other person or entity (including the borrower) is necessary to obtain clear title, a deed from such person or entity will be obtained.

(c) Acceptance. The conveyance will be accepted for an amount of credit to the borrower’s FmHA or its successor agency under Public Law 103-354 account(s) as set forth in §1955.18(e)(4) of this subpart.

(d) Reporting. Acquisition of property under this section will be reported in accordance with §1955.18(a) of this subpart.

[50 FR 23904, June 7, 1985, as amended at 53 FR 27827, July 25, 1988]

§ 1955.15 Foreclosure by the Government of loans secured by real estate.

Foreclosure will be initiated when all reasonable efforts have failed to have the borrower voluntarily liquidate the loan through sale of the property, voluntary conveyance, or by entering into an accelerated repayment agreement when applicable servicing regulations permit; when either a net recovery can be made or when failure to foreclose would adversely affect FmHA or its successor agency under Public Law 103-354 programs in the area. Also, in Farmer Program cases (except graduation cases under subpart F of part 1951 of this chapter), the borrower must have received exhibit A with attachments 1 and 2 of subpart S of part 1951 of this chapter, and any appeal must have been concluded. For real property located within the confines of a federally recognized Indian reservation and owned by a Native American borrower, proper notice of voluntary conveyance must be given as outlined in §1955.9 (c)(1) of this subpart.

(a) Authority—(1) Loans to individuals. The District Director is authorized to approve or disapprove foreclosure and accelerate the account.

(2) Loans to organizations. (i) The State Director or District Director is authorized to approve or disapprove foreclosure of MFH, Shift-In-Land-Use (Grazing Association),