of the borrower and will be charged to
the borrower’s account until liquida-
tion is completed.

(b) Other security. The Agency will
service security such as collateral as-
signments, assignments of rents, Hous-
ing Assistance Payments Contracts,
and notices of lienholder interest ac-
cording to acceptable practices in the
respective states.

(c) Taking of additional security to pro-
tect Agency interests. The Agency may
require borrowers to provide additional
security in the form of real estate, cash
reserves, letters of credit, or other se-
curity when needed to improve the
chances that the Agency will not suffer
a loss, and when:

(1) The account is in default; or

(2) The property has not been pro-
erly managed or maintained.

(d) Due diligence. When the Agency
has completed an environmental re-
view in accordance with 7 CFR part
1940, subpart G, and decides not to ac-
quire security property through liq-
uidation action or chooses to abandon
its security interest in real property,
whether due in whole or in part, to the
presence of contamination from haz-
ardous substances, hazardous wastes,
or petroleum products, the Agency will
provide the appropriate environmental
authorities with a copy of its due dili-
gence report.

§ 3560.459 Special borrower cir-
cumstances.

(a) Deceased borrower, bankruptcy, in-
solvency, and divorce actions. The Agen-
cy will address borrower accounts af-
icted by special circumstances such as
death, bankruptcy, insolvency, and di-
 vorce on a case-by-case basis. The
Agency will make servicing decisions
in such cases on the basis of best inter-
est to the Federal Government and ten-
ants. The Agency will bring a legal ac-
tion to establish the legal capacity of
the borrower to administer the project
if found necessary to protect the gov-
ernment’s interests. In order for the
Agency to make servicing decisions in
such cases, the borrower or the bor-
rower’s representative will provide to
the Agency:

(1) On the part of the heirs or execu-
tor of the borrower’s estate, evidence
of legal action due to a will or court
actions that establish who is to become
the owner;

(2) The financial status of the bor-
rower and any member pledging addi-
tional security for the debt;

(3) The status of the security prop-
erty; and

(4) The impact of the identified ac-
tions on the operation of the project.

(b) Membership liability agreements. If
a borrower’s note is endorsed by indi-
viduals other than the borrower or a
borrower has security agreements with
members of the organization for the
purchase of shares of stock or for the
payment of a pro rata share of the loan
in the event of default, or has indi-
vidual liability agreements, which are
usually assigned to and held by the
Agency as additional security for the
loan, the security and liability agree-
ments must be adequate to protect the
Agency’s interest.

(c) Security issues in participation
loans. When a multi-family housing
(MFH) project is receiving financing or
a subsidy from sources other than the
Agency, the Agency will service the ac-
count in accordance with the participa-
tion agreements made with the Agency
and the other funding sources under
§3560.65.

§ 3560.460 Double damages.

(a) Action to recover assets or income.

(1) The Agency may request to the At-
torney General to bring an action in a
United States district court to recover
any assets or income used by any per-
son in violation of the provisions of a
loan made by the Agency under this
section or in violation of any applica-
ble statute or regulation.

(2) For the purposes of this section, a
use of assets or income in violation of
the applicable loan, statute, or regula-
tion includes any use for which the
documentation in the books and ac-
counts does not establish that the use
was made for a reasonable operating
expense or necessary repair of the
project or for which the documentation
has not been maintained in accordance
with the requirements of the Agency
and in reasonable condition for proper
audit.

(3) For the purposes of this section, the term “person” means: