§ 3555.355 Reducing or denying the claim. 

(a) Determination of loss payment. Subject to the requirements of §3555.108, if Rural Development determines that the amount of the loss was increased due to the lender’s failure to comply with the conditions of the Loan Note Guarantee, the Agency may reduce or deny any loss claim by the portion of the loss determined was caused by the lender’s action or failure to act. The circumstances under which loss claims may be denied or reduced include, but are not limited to, the following lender actions:

1. Failure to adhere to required servicing and liquidation procedures as set forth in Agency regulations and guidance, including the payment of real estate taxes or hazard insurance when due;

2. Failure to report defaulted loans to Rural Development within required timeframes;

3. Failure to ensure that the security property is adequately maintained during liquidation;

4. Delay in filing a loss claim;

5. Claiming unauthorized expenses;

6. Providing unauthorized assistance;

7. Failure to obtain the required security or maintain the security position;

8. Violating usury laws;

9. Negligence, gross negligence or misrepresentation; or

10. Committing fraud, or failing to report knowledge of fraud or false information.

(b) Disputes. If the lender disputes the loss claim amount determined by Rural Development, Rural Development will pay the undisputed portion of the loss claim, and the lender may appeal the decision in accordance with §3555.4.

§ 3555.356 Future recovery.

The lender must notify the Agency upon sale of an REO property. If the lender recovers additional funds after the loss claim has been paid, the proceeds will be distributed so that the total loss to the Government is equivalent to the loss that would have been incurred had the recovered amount been included in the initial loss calculation.

§§ 3555.357–3555.399 [Reserved]

§ 3555.400 OMB control number.

The report and recordkeeping requirements contained in this subpart are currently with the Office of Management and Budget under review and awaiting approval.