

PART 2018 - GENERAL

Subpart E - Security of Valuable Documents

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PART 2018 - GENERAL

Subpart E - Security of Valuable Documents

§ 2018.201 General.

(a) This subpart prescribes the policies and procedures for safeguarding mailings and deliveries of negotiable and nonnegotiable bonds and interest coupons between offices of Rural Development; and between a Rural Development office and a borrower or other party. It also gives guidelines to protect valuable documents held by Field Offices.

(b) Borrowers, lenders, or other parties who send bonds and interest coupons to Rural Development should be informed that Rural Development will not pay for postage or delivery costs.

(c) Mail bonds and interest coupons by processing through the mail meter. Rural Development employees are not required to pay for registered or certified mail from personal funds. In accordance with the Domestic Mail Manual (DMM), Issue 57, P-011.3.1., Government Agencies may no longer use penalty mail strips or penalty mail stamps to pay postage due. However, some Post Offices still accept the above mentioned items for payment. Each Field Office should contact their local Post Office to discuss the most effective method to pay their "Postage Due "items, i.e., Government purchase charge cards. (Revised 12-18-02, PN 354.)

§ 2018.202 Definitions.

For this subpart only, the following definitions apply:

(a) Nonnegotiable.

- (1) Bonds payable to Rural Development or another named party.
- (2) Bonds registered in the name of a specified owner shown on the bonds. The registration space is found on the back or at the end of the bond.
- (3) Unmatured interest coupons.
- (4) Matured interest coupons payable to Rural Development or another party named on the coupon.

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- (5) Matured interest coupons payable to "registered owner."
- (6) Matured interest coupons and bonds payable to "bearer" which show "paid in full."

(b) Negotiable.

- (1) Bonds payable or registered to "bearer." Bonds payable to "bearer or registered holder" are negotiable unless they are registered in the name of a specified party.
- (2) Matured coupons payable to "bearer."

§ 2018.203 Record of mailing.

(a) Make a summary record for the official file of each mailing of bonds and interest coupons containing the following information:

- (1) The name and address of the consignee.
- (2) A description of the bonds by issue, series, denomination, serial number, and to whom registered (if applicable). Also, include summary list of the coupons if any are attached at the time of mailing, including serial numbers if appropriate.
- (3) The face value of each bond.
- (4) The total face value of all bonds in the shipment.
- (5) The Post Office registered or certified mail number.
- (6) The date and time of delivery to the Post Office.

(b) Use the following examples as formats for describing the bonds and interest coupons:

- (1) EXAMPLE NO. 1:
 - (i) Issued by (Borrower) - City of New Buffalo, Michigan.
 - (ii) Payable to: Registered holder. (All currently issued bonds are registered in the name of "United States of America, Rural Development.") (iii) Series - 1984.
 - (iv) 170 bonds numbered 1 through 170 with a face value of \$5,000 each.

§ 2018.203(b) (1) (Con.)

(v) 170 interest coupons numbered 1 through 170 for \$41.02 each. 7,860 interest coupons for \$112.50 each.

(vi) Total face value \$850,000.

(2) EXAMPLE NO. 2:

(i) Issued by (Borrower) - Town of Dewar, Iowa.

(ii) Payable to: United States of America, Rural Development.

(iii) Series 1984.

(iv) 100 bonds numbered 1 through 100 with a face value of \$1,000 each.

(v) Total face value \$100,000.

(3) EXAMPLE NO. 3:

(i) Issued by (Borrower) - City of Boulder, Montana.

(ii) Payable to: Bearer.

(iii) 250 bonds numbered 1 through 250 with a face value of \$1,000 each.

(iv) 200 interest coupons numbered 1 through 200 for \$112.50 each, stamped "paid in full - Rural Development" matured on September 1, 1984.

(v) Total face value \$250,000.

§ 2018.204 Mailing nonnegotiable bonds and interest coupons.

Send all nonnegotiable bonds and interest coupons by certified mail except for unmatured interest coupons payable to bearer, which must be sent by registered mail. Never use regular mail. Request a return receipt showing the date delivered, to whom delivered and the delivery address. Send a transmittal memorandum with items mailed giving the information in § 2018.203 (a) (2), (3) and (4). Do not declare a value to the Post Office for nonnegotiable securities.

§ 2018.205 Mailing negotiable bonds and interest coupons.

Send negotiable bonds and interest coupons by registered mail (not insured mail). Request a return receipt showing the date delivered, to whom delivered, and the delivery address. Do not use regular or certified mail. Take the following precautions to protect negotiable bonds and interest coupons when mailed:

(a) Witnessing and preparation of mailing. Each mailing must be prepared, verified, inspected, and sealed or locked by at least two Rural Development employees before delivery to the Post Office. If only one Rural Development employee is available, ask another Federal employee to witness the preparation. The witness signs the record of mailing described in § 2018.203. All other individuals handling the mailing before delivery to the Post Office will sign for it on the record of mailing

(b) Notice of mailing. The Rural Development sending office will prepare a notice of mailing for all bonds and interest coupons shipped. This notice will include a summary description of the securities shown in §2018.203(a)(2), (3), (4), and (6).

(1) Notify the consignee by separate letter of the shipment and enclose a copy of the notice of mailing. Include in the shipment of securities to the consignee the original notice of mailing and a copy of the letter to the consignee.

(2) Request the consignee to ensure that:

(i) Upon receipt the mailing is opened, inspected, and the contents verified.

(ii) The Rural Development sending office is notified immediately of any identifiable differences between what is received and what is shown in the notice of mailing, and of any damage, loss, or destruction of negotiable securities.

(iii) If the securities do not arrive after 15 calendar days, notify both the Rural Development sending Office and the Post Office.

(iv) If a mailing is lost, destroyed, or damaged, the consignee should document all pertinent information for use by authorized investigators. Send a copy of this information to the Rural Development sending office.

§ 2018.205 (Con.)

(c) Declaration of value by Rural Development sending office. The Post Office must be informed of the declared value based on the full face value of the negotiable bonds and interest coupons sent by registered mail. The value of nonnegotiable bonds and coupons mailed with negotiable securities will not be included in the declared value.

§ 2018.206 Personal delivery of bonds and coupons.

If the negotiable bonds or interest coupons are delivered in person, the Rural Development official must obtain a signed receipt from the recipient of the securities. File this receipt in the office making the delivery. The receipt must show the information required by § 2018.203(a)(1), (2), (3), and (4).

§ 2018.207 Protection of valuable documents held by field offices.

If circumstances warrant and the State Director agrees, field offices that hold negotiable instruments, water stock certificates, or valuable documents may rent safety deposit boxes in lieu of using their fire resistant lateral files to avoid theft, loss, or destruction. Rural Development Community Development Managers may transfer valuable documents to a safe location in an emergency. Subpart B of part 1951 applies to the holding and moving of money. See subpart A of part 2033 for security of essential Rural Development records.

- (a) Select the least expensive safety deposit box rental.
- (b) Rent for safety deposit boxes will be paid under subpart A of part 2024.

§ 2018.208 Inventory of debt instruments. (Revised 03-01-06, PN 395.)

(a) Field offices will conduct a yearly inventory of all debt instruments (includes notes, bonds, reamortization agreements or other documents evidencing debt, but excluding security instruments). The Office of the Deputy Chief Financial Officer will provide each office with a list of borrowers, case numbers, loan numbers, original amount of loan and date of loan closing by March 31 of each year. The list will include all borrowers that have debt instruments in each office. The list will not include debt instruments stored in St. Louis by the Centralized Servicing Center for direct single family housing loans and selected debt instruments (such as bonds) held by the Deputy Chief Financial Officer for Community Facility and Water and Environmental loans. The list will also not include loans that are in the possession of private holders. Rural Development servicing offices should:

- (1) Verify that a debt instrument exists. State Directors will consult with the Office of the General Counsel regarding the need to replace lost or missing debt instruments and the process to follow in replacing such debt instruments.
- (2) Compare the information provided on the inventory of debt instruments report to the related promissory notes to identify any differences.
- (3) When differences in the principal loan amount are more than \$100 or there are differences in the interest rate or date of the loan, take corrective action on the borrower's account on the appropriate loan accounting system as outlined in paragraph (4) below, or take corrective action on the promissory note(s) as outlined in paragraph (5) below. Additionally, if the report does not include a debt instrument that is on file in the servicing office, take corrective action as outlined in paragraph (4) below.
- (4) Submit cases requiring correction of the borrower's account through the state Program Director to the Office of the Deputy Chief Financial Officer, Direct Loan and Grant Branch (DLGB), PO Box 200011, Mail Stop FC 340-D, St. Louis, Missouri 63120-0011. The information submitted to DLGB should include a brief memo explaining the requested corrective action, a copy of the inventory of debt instruments report with any changes marked along with an explanation of the difference, and a copy of the debt instrument. DLGB will notify the requesting office when the corrections have been completed.
- (5) If the nature of the error in the promissory note represents unauthorized assistance, the correction should be done in accordance with subpart O of part 1951, Servicing Cases Where Unauthorized Loan(s) or Other Financial Assistance Was Received - Community and Business Program Loans, or HB-3-3560, Multi-Family Housing Project Servicing Handbook, as applicable. Otherwise, the State Director should consult with the Office of the General Counsel regarding the appropriate corrective actions.
- (6) Advise the State Director by July 31 of each year of the result of the inventory.
- (7) Retain the completed listing certified and signed by the office supervisor in the servicing office for 1 year or until issuance of the next listing.

§ 2018.208 (Con.)

(b) The Office of the Deputy Chief Financial Officer will also conduct a yearly inventory of all debt instruments that are stored in its office in St. Louis.

§§ 2018.209 - 2018.250 [Reserved]

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