

CHAPTER 1: OVERVIEW

SECTION 1: INTRODUCTION TO THE CENTRALIZED SERVICING CENTER HANDBOOK

1.1 WELCOME TO THE CENTRALIZED SERVICING CENTER HANDBOOK

This handbook provides Agency staff with the tools needed to service loans efficiently and effectively. Its goal is to help staff in the Centralized Servicing Center (CSC) assist borrowers, while making sure that basic legal and administrative requirements are met. The handbook provides loan servicing policies for Section 502 direct loans and Section 504 loans and grants. Specific procedures to implement these policies are described in a separate handbook.

The guidance provided by this handbook is intended to be consistent with all applicable laws, Executive Orders, and Departmental regulations, including other Agency regulations. Nothing contained in this handbook should be construed to supersede, rescind, or otherwise amend such laws, Executive Orders, and regulations.

1.2 USING THIS HANDBOOK


The handbook is organized to allow the reader to look up information on specific topics easily. New staff may want to read the handbook in its entirety, while more experienced staff may use it as a reference book. Several graphic tools and conventions have been used to make information easier to find and understand.


A. Handbook Symbols


- **References.** The book symbol directs the reader to additional information sources, such as laws, regulations, or instructions.



- **State Supplements.** State and local laws and the laws of Federally-recognized tribes may affect how Agency requirements are implemented. Topics commonly affected by such laws include the treatment of liens, the liquidation process, and environmental policies. The United States symbol denotes subjects for which further instructions may be issued through State Supplements which will be filed in Appendix 7 of this Handbook or for which individual State laws are likely to be particularly relevant.



- **Civil rights.** The fair housing symbol highlights processing procedures with significant fair housing or civil rights implications.


- **Deadlines.** Time frames for completing required actions are underlined to make them easier to locate, for example: “within 7 days.” Unless the text specifies business days, all references to days are in terms of calendar days.
- **Documentation.** The notepad symbol highlights key activities or information that must be carefully documented.



B. Citations and Text Boxes

- **Regulatory citations.** The regulation for the direct single family housing program is provided in 7 CFR Part 3550. The text of that regulation is provided in Appendix 1. To help readers locate the regulatory authority for procedures described here, references to this regulation appear in italicized brackets, for example: [*7 CFR 3550.55*]. Other regulations or RD instructions are simply referenced.
- **Form and letter references.** Agency forms and Agency handbook (HB) letters are shown in *italics*. All forms referenced in this Handbook can be found in Appendix 2 and all handbook letters can be found in Appendix 3.
- **Helpful hints.** Helpful hints, cautions, or important facts are included in boxes throughout the text and shown with the string around the finger symbol.


- **Examples and exhibits.** Text boxes labeled as examples or exhibits provide a specific illustration of a concept described in the text or provide additional detailed information. Examples are used when the text box is inserted adjacent to the relevant text and is not referenced. Exhibits are used when the text refers to the text box. Exhibits are numbered in sequence, using the chapter number; for example, Exhibit 3-1 is the first exhibit in Chapter 3

C. Attachments and Appendices

- **Glossary and acronyms lists.** Key words and terms are defined in the glossary. A list of acronyms used in the handbook is also provided. Both the glossary and list of acronyms can be found at the end of the handbook.
- **Attachments.** Attachments at the end of each chapter contain technical information that is specific to the topics covered in the chapter. Attachments are referenced in sequence, using the chapter number and a letter, for example, Attachment 4-A is the first attachment in Chapter 4.
- **Appendices.** Appendices at the end of the handbook include forms and other reference materials that relate to multiple chapters.

D. Terminology

Because terminology may vary from State to State and change over time, this handbook uses certain standard terminology to provide consistency.

- **Agency.** The term “Agency” is used throughout this handbook to refer to the organizational unit within the United States Department of Agriculture (USDA) that is responsible for administration of the direct single family housing program.
- **CSC.** The term Centralized Servicing Center (CSC) is used throughout this handbook to refer to the office that services loans and grants.
- **CSC or Servicer.** These terms are used to refer to individuals in the Centralized Servicing Center.
- **Field Staff/Field Office.** The generic terms Field Staff and Field Office are used throughout this handbook to refer to persons located in the field and Agency offices outside of CSC.
- **Borrower.** The term “borrower” refers to one or more individuals who are receiving Agency assistance.

E. How This Handbook Is Organized

- **Chapter 1. Overview** provides a summary of Section 502 and Section 504 requirements, and also contains general program and administrative requirements that are referenced throughout the remaining chapters (for example, appeals and civil rights policies).
- **Chapter 2. Regular Servicing** covers the transfer of responsibility for a loan from the Field Office to CSC and discusses routine transactions with the borrower, including payments, reviewing requests from the borrower that require Agency approval, final payments, and recapture. Guidance for two of the regular servicing activities -- processing payment subsidies and requirements related to taxes and insurance -- are large enough to require separate chapters, which follow.
- **Chapter 3. Escrow, Taxes, and Insurance** covers the Agency's role in administering escrow accounts for taxes and insurance, borrower responsibilities regarding taxes and insurance, and remedies that may be applied if the borrower fails to pay taxes or insurance.
- **Chapter 4. Payment Subsidies and Income Determinations** includes instructions for initiating and renewing payment subsidies, including guidance on making income determinations.
- **Chapter 5. Special Servicing** covers servicing actions that may be required to assist borrowers who become delinquent on their accounts including delinquency workout agreements, moratoriums on payments, protective advances, and reamortization.
- **Chapter 6. Liquidation and Acquisition** provides guidance for circumstances in which special servicing actions have failed and the borrower's account must be liquidated by foreclosure.
- **Chapter 7. Special Collections** describes policies for dealing with unauthorized assistance, offsets, and debt settlement.

SECTION 2: OVERVIEW OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM

1.3 GOALS OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM

The purpose of the direct single family housing program is to provide low- and very low-income people the opportunity to own adequate, modest, decent, safe, and sanitary homes in rural areas. In providing this service, the Agency strives to meet several goals.

- **Customer service.** The Agency is committed to providing customer-friendly, streamlined service.
- **Effective use of resources.** As a publicly-funded program, the direct single family housing program must use tax dollars efficiently. The Agency aims to minimize administrative costs and service loans responsibly.
- **Efficient processing.** The Agency has streamlined its servicing processes and adopted private sector practices to the extent feasible. This not only saves staff time, but also allows borrowers to receive the maximum benefit from Agency funds.

1.4 SECTION 502 -- AN OVERVIEW

A. Program Loans

The Section 502 direct loan program is intended to provide very low- and low-income people with the opportunity to acquire, build, rehabilitate, improve, or relocate dwellings in rural areas. The standard term for a Section 502 loan is 33 years. However, loans may be made for a shorter term, and in certain cases for 38 years. Each loan is made at a note rate established by the Agency as prescribed in RD Instruction 440.1. Payment subsidies are available to some borrowers to reduce monthly loan payments. In summary, to be eligible for a Section 502 loan, applicants must:



- Have an adjusted income that is at or below the applicable low-income limit at loan approval (except for assumed loans or loans to purchase Real Estate Owned (REO) property);
- Have an adjusted income that is at or below the applicable moderate-income limit for assumed loans or loans to purchase an REO property;

- Be unable to obtain sufficient credit from another source;
- Agree to personally occupy the dwelling;
- Meet citizenship or eligible non-citizen requirements;
- Have the legal capacity to incur a loan obligation and not be suspended or debarred from participation in Federal programs; and
- Demonstrate both the willingness and ability to repay the loan.

B. Nonprogram Loans

The Agency may provide credit on non-program terms to expedite the assumption of an existing program loan or purchase of a REO property by a borrower who is not eligible for the Section 502 program. Other uses include conversion of a program loan that has received unauthorized assistance, or continuation of a loan after a partial release of security. Nonprogram loans are made only when it is in the best interest of the Government, and non-program borrowers are not eligible for certain special servicing actions.

1.5 SECTION 504 -- AN OVERVIEW

The Section 504 direct loan and grant program is intended to provide funds to homeowners who cannot obtain other credit to repair or rehabilitate their properties. To be eligible, the applicant must have adjusted income that is at or below the applicable very low-income limit and meet other eligibility requirements similar to those for Section 502 loans. The Section 504 program offers grants to correct health and safety hazards for homeowners 62 years of age and older who cannot obtain a loan for this purpose.

A. Section 504 Grants

Grant funds may be used only to make repairs and improvements that will remove identified health and safety hazards or to repair or remodel dwellings to make them accessible and useable for household members with disabilities. Grants are available only to eligible applicants who are 62 years of age or older. Recipients may receive multiple grants, up to a lifetime maximum of \$7,500.

Paragraph 1.5 Section 504 -- An Overview

B. Section 504 Loans

Loan funds may be used to make general repairs and improvements to properties and to remove health and safety hazards. Borrowers may obtain multiple Section 504 loans, but the sum of the outstanding balance on all Section 504 loans can not exceed \$20,000. The loans have a maximum term of 20 years and an interest rate of 1 percent.

1.6 THE ROLE OF FIELD OFFICES

Loans are originated and closed in Field Offices. Once loans are closed and the final disbursement has been made, they are serviced by CSC. CSC may ask for assistance from Field Staff when a local presence is needed to facilitate a servicing action.

In addition, Field Staff have an obligation to report information that comes to their attention indicating risks to the security property or changes in borrower circumstances. Such items might include knowledge of hazardous dwelling conditions, environmental hazards, non-occupancy, abandonment, or changes in income. Field Staff who learn of borrower difficulties also may recommend that the borrower contact CSC for assistance.

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SECTION 3: AUTOMATION

1.7 THE DEDICATED LOAN ORIGINATION AND SERVICING (DLOS) SYSTEM

The Agency's Dedicated Loan Origination and Servicing (DLOS) system is designed to expedite loan-making, standardize information collection and recordkeeping, and facilitate communication between Field Offices and CSC. DLOS tracks loans from application through servicing using two interconnected systems: UniFi and MortgageServ.

A. UniFi

UniFi is a web-based application used for loan origination. It retains applicant information, makes complex calculations, and maintains a central record of all activities associated with an individual application from the time of pre-qualification through loan closing. Information from UniFi is uploaded into MortgageServ each night.

B. MortgageServ

MortgageServ is a mainframe-based application that is used to service Agency loans and monitor loan performance. MortgageServ should be used to record every action taken by CSC regarding an individual borrower's account.



MortgageServ Advantages

Using MortgageServ consistently will allow different operators at CSC to work with a borrower's account at different times.

Since Field Offices have access to some portions of MortgageServ, it can help CSC and Field Staff keep abreast of each others' activities. If CSC needs assistance in the field for some servicing action, MortgageServ can be used to send a work queue to the Field Staff. For example, a Servicer involved in working out an insurance claim with a borrower might ask Field Staff to visit the property to assess the repair work that has been done to date. Similarly, if Field Staff obtain information about a change in a borrower's employment status that has not been reported to CSC, the MortgageServ work queue can be used to pass that information on to CSC.

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SECTION 4: GENERAL PROGRAM REQUIREMENTS

1.8 CIVIL RIGHTS [7 CFR 3550.3]

The Agency will administer its programs fairly and in accordance with both the letter and the spirit of all equal opportunity and fair housing legislation and applicable Executive Orders. The civil rights compliance requirements for the Agency are contained in RD Instruction 1901-E. Exhibit 1-1 lists the applicable Federal laws and Executive Orders and highlights key aspects of these requirements.



A. Nondiscrimination

The various civil rights laws prohibit the denial of loans, grants, services, and benefits provided under the Section 502 and 504 programs to any person based upon race, color, national origin, sex, religion, marital status, familial status, age, physical or mental disability, source of income, or because the applicant has, in good faith, exercised any right under the Consumer Credit Protection Act (15 U.S.C. 1601). Discrimination in employment practices also is prohibited.



Effective management and consistent procedures are good business practices that help ensure that all borrowers are treated fairly. Poor program implementation, whether or not discrimination is intended, has possible civil rights consequences.

**Key Civil Rights Issues
for Loan Servicers**

- Access
- Consistency and fairness of treatment
- Disparate impacts -- intended or unintended
- Record keeping

In the servicing process, attention to consistent procedures is especially important in several key areas, which are listed below.

- **Outreach.** Information about the availability of servicing relief and how to apply must be broadly disseminated. In addition, the extent of the information, assistance, and courtesy extended to those who make inquiries must be consistent.
- **Determining eligibility.** Servicers must use equal rigor for all borrowers when verifying income, considering eligibility for program benefits and assistance, and allowing borrowers to clarify information.
- **Making exceptions.** Standards for offering exceptions must be applied consistently.

Exhibit 1-1

**Major Civil Rights Laws Affecting the
Direct Single Family Loan Program**

- **Equal Credit Opportunity Act (ECOA).** Prohibits discrimination in the extension of credit on the basis of race, color, religion, national origin, sex, marital status, age, income from public assistance and exercise of rights under the Consumer Protection Act.
- **Title VI of the Civil Rights Act of 1964.** Prohibits discrimination in a Federally-assisted program on the basis of race, color, and national origin.
- **Title VIII of the Civil Rights Act of 1968** (also known as the Fair Housing Act of 1988, as amended). Prohibits discrimination in the sale, rental or financing of housing on the basis of race, color, religion, sex, national origin, familial status, or disability.
- **Section 504 of the Rehabilitation Act of 1973.** Prohibits discrimination in a Federally-conducted program on the basis of disability.
- **Age Discrimination Act of 1975.** Prohibits discrimination in a Federally-assisted program on the basis of age.
- **Executive Order 11063 as Amended by 12259.** Prohibits discrimination in housing or residential property financing to any Federal-assisted activity against individuals on the basis of race, color, religion, sex, or national origin.
- **Executive Order 11246.** Nondiscrimination in employment by construction contractors (and subcontractors) receiving Federally-assisted construction contracts in excess of \$10,000. It provides for equal employment opportunity without regard to race, color, religion, sex, and national origin.

Paragraph 1.8 Civil Rights [7 CFR 3550.3]

- **Subsidies and other assistance.** Opportunities for subsidies and favorable servicing remedies must be made available consistently.
- **Hearings and appeals.** Avenues for remedies when problems arise must be made available consistently.

B. Reasonable Accommodations for Persons with Disabilities

The Agency must make reasonable accommodations to permit persons with disabilities to apply for and benefit from Agency programs. Reasonable accommodations may include providing facilities that are physically accessible so that all people can come to Agency offices, and effective communication and outreach tools so that all borrowers can receive good program information (for example, a Telecommunications Device for the Deaf (TDD)).

1.9 REVIEW AND APPEALS [7 CFR 3550.4]

Decisions that are not made in favor of a program participant (applicant or borrower) are known as adverse decisions. Adverse decisions must be based upon regulations which are published in the Code of Federal Regulations (CFR). For the direct SFH programs, any adverse decisions must be based upon 7 CFR Part 3550 (Appendix 1) and not the administrative guidance contained in this Handbook. Adverse decisions include: (1) administrative actions taken by Agency officials; and (2) the Agency's failure to take required actions within time frames specified in statutes or regulations, or within a reasonable time if no deadline is specified. Appendix 4 contains 7 CFR Part 11, which is the regulation of the National Appeals Division (NAD) and provides procedures that both Agency officials and program participants must follow when an appeal is made. If CSC is taking an adverse action on a case that is also under the jurisdiction of a Field Office, CSC should first consult with the Field Office. *Handbook Letter 101(3550), Standardized Adverse Decision Letter*, will be used for all adverse decisions unless another format is prescribed in this Handbook. Exhibit 1-2 provides a sample of an adverse decision letter.



A. Informing Program Participants of Their Rights

Whenever an Agency official makes a decision that will adversely affect a program participant, the official must inform the participant in writing that an informal administrative review with the person who made the decision may be requested. If the decision is appealable, the participant will also be informed of their rights to seek mediation as a form of Alternative Dispute Resolution (ADR) and request a hearing with NAD. Mediation is the only form of ADR funded in part by Rural Development. Mediation is one of three methods available for resolving disputes with program participants. The other two are administrative/informal review with the

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Paragraph 1.9 Review and Appeals [7 CFR 3550.4]

decision maker and administrative appeal to NAD. Attachment 1-B is used for this purpose. If the decision cannot be appealed, the participant will be informed of their rights to have NAD review the accuracy of the Agency's finding that the decision cannot be appealed. Mediation rights are not provided on decisions which cannot be appealed. Attachment 1-C is used for this purpose.

Exhibit 1-2**Sample Adverse Decision Letter**

Mr. and Mrs. John Doe
1 Main Street
Anytown, Anywhere 01234

Re: Application for \$84,000 Direct
Single Family Housing Loan

Dear Mr. & Mrs. Doe,

Thank you for the opportunity to consider your request for Rural Development assistance. In reviewing your request, we considered all information submitted to the Agency and the regulations that govern the assistance for which you applied. After careful review, we regret to inform you that we were unable to take favorable action on your request. The specific reasons for our decision are as follows:

1. Your income exceeds the maximum income to qualify for our direct single family housing program. 7 CFR Part 3550.53(a) requires that an applicant's income must not exceed the applicable low-income limit for the area. In Any County, the maximum income limit is \$29,500. Based upon verification of the income sources listed on your application, your income was calculated at \$32,250. Unfortunately, this income exceeds the applicable limits. At the time of your loan interview, Mr. Doe indicated that he worked substantial overtime last year, and did not anticipate overtime income for this year. According to a verification of employment, overtime income has recently been earned this year, and your employer anticipates that you will earn at least the same amount of overtime this year as you have earned in the past. Overtime income must be considered if it is reasonable to anticipate it will continue. We reverified with your employer that, because of recent workforce changes, overtime will continue this year in an amount at least equal to last year. This was further confirmed by copies of paystubs which you recently submitted to this office for review.
2. Your credit history was not acceptable. 7 CFR Part 3550.53(h) requires that an applicant must have an acceptable credit history to obtain program assistance. The regulation provides, in part, that a delinquency on any debt owed to the Federal Government is an indicator of unacceptable credit. Your credit report reflected that you are in default on your student loan which is guaranteed by the Federal Government.

Your credit report was obtained from the ABC Credit Report Company, 100 Main Street, Anytown, Anywhere 01234, telephone 1-800-123-4567. You may obtain a free copy of your credit report from ABC Credit Report Company, and may dispute the accuracy or completeness of the report directly with ABC Credit Report Company. Please note that the decision to deny your request for assistance was made by this Agency and not ABC Credit Report Company.

If you believe our decision is incorrect, or the facts used in this case are in error, you may pursue your rights to challenge our decision. Please see the attached for your rights.

Sincerely,

Letters notifying participants of adverse decisions must contain the necessary information regarding an informal administrative meeting, mediation rights to NAD, and civil rights. Attachment 1-A includes only the specific civil rights language. Attachments 1-B through 1-H contain, as necessary, the civil rights language and include information on requesting an informal administrative review, mediation and rights to NAD. The Attachments are all titled to assist CSC in selecting the correct Attachment for the decision being made. The Attachments do not need to be used when an RD Form, Handbook Letter, or other document already includes the appropriate participant rights.

B. Adverse Decisions That Cannot Be Appealed

Certain decisions made by the Agency cannot be appealed. In these cases, the participant is still provided the opportunity for an informal administrative review; however appeal rights to NAD and mediation are not offered. The participant will be informed through the use of Attachment 1-C that they may request an informal administrative review and write to NAD for a review of the accuracy of the Agency's determination that the case cannot be appealed. Decisions that cannot be appealed include:

- Decisions made by parties outside the Agency, even when these decisions are used as a basis for Agency decisions (such as when an applicant disagrees with a private lender's decision not to provide credit for a leveraged loan);
- Interest rates set by the Agency's procedures, unless the participant alleges that an incorrect interest rate was applied;
- An Agency official's refusal to request an administrative waiver under the provisions of Paragraph 1.12, or a waiver authorized by any applicable regulation;
- Denials of credit due to lack of funds;
- Denials of Section 504 grants to applicants under the age of 62; and
- Rural area designations.

When one or more of the reasons for an adverse decision are reasons that cannot be appealed, the adverse decision cannot be appealed. In these cases, the letter containing the adverse decision will include only those items which cannot be appealed as the reasons why the decision cannot be appealed. If other reasons also exist for the adverse decision, they will be listed separately in the decision letter as other reasons the assistance could not be granted.

Exhibit 1-3**Example - Adverse Decision Which Cannot be Appealed**

Mary Smith, age 40, applies for a \$7,500 Section 504 grant to build a new home. Her income is in the low-income category and she has \$60,000 in cash towards the construction cost of \$65,000. In this case, the reason for denying the Section 504 grant would be Ms. Smith's age. This would be clearly stated in the letter as the reason for rejection and the reason the decision cannot be appealed. The letter would also include language in a separate paragraph that even if Ms. Smith were over 62, Section 504 funds are not available to persons in the low-income category and cannot be used for the construction of a house. The letter will also include Attachment 1-C providing the opportunity for Ms. Smith to request an informal administrative review with the Agency and a NAD review of the accuracy of the Agency's decision that the case cannot be appealed.

C. Informal Administrative Review

Participants who want to request an informal administrative review with the person who made the decision must do so within 15 days of the date of the Agency's letter notifying the participant of the adverse decision. The participant must make a request for an informal administrative review in writing, and the request will be documented in the participant's file. The informal administrative review will be conducted by telephone and may be conducted by a representative of the person who made the decision. The purpose of the informal administrative review is to further explain the Agency's reasons for the adverse decision, listen to why the participant feels the decision may be incorrect, and obtain any further information from the participant to support their request. The review must be completed within 45 days of the request and the participant notified in writing of the results. The Director of CSC may require that the decision be reviewed by a next-level supervisor or other designated CSC staff before the participant is notified of the decision. Attachment 1-D will be used if the adverse decision is not reversed as a result of the informal administrative review. If the decision is reversed, a letter will be sent to the participant notifying them of the decision and next steps.



The participant may skip an informal administrative review and, if applicable, request mediation or an appeal. In doing so, the participant automatically waives their right to an informal administrative review.

D. Mediation

Adverse decisions which are appealable to NAD also require that the participant be given the opportunity to seek mediation prior to having a hearing with NAD. The purpose of mediation is to resolve disputes through the use of a neutral mediator. Program participants are referred in Attachment 1-B and 1-D to the applicable State Director to initiate mediation. Program participants are referred to the State Director since a local provider of this service is used and costs involved are paid through the state's allocation of funds. Although the state may arrange for the mediation source, CSC staff will participate in the actual mediation. Careful coordination between CSC and the State Office is necessary to ensure the rights of the program participant and Agency are protected.

A participant may skip mediation and request an appeal to NAD. In doing so, they automatically waive their rights to mediation.

1. Requests for Mediation

After receiving Attachment 1-B or 1-D, a program participant may request mediation services. Upon receipt of the program participant's request for mediation, Attachment 1-E is sent to the participant to start the process. The Attachment is generally sent by the State Director. The state office will contact the Appeals Coordinator in CSC when a request for mediation is received.

2. Cost of Mediation

There is generally a cost associated with participation in mediation. When there are costs, they are shared equally between the Agency and the program participant, if Agency funds are available. Funds for this service are paid from the state's allocation. Where Agency program funds are not available, the Agency must still participate in mediation if requested by the program participant; however, the participant will be notified in advance by the state office of the portion of the cost the Agency will pay (if any) and their estimated cost for this service. The State Director will ensure that all participants requesting mediation in their State are treated consistently and pay the same percentage of the cost towards this service. The State Director may also consent to pay a larger percentage (up to 100 percent) of the cost of mediation for participants with incomes below the poverty level. The State Office will also notify the mediation source of how the cost of such service will be paid. Attachments 1-E includes language to meet this requirement.

3. Mediation in States with a USDA-funded mediation program

Many States have a USDA sponsored mediation program that is annually certified by USDA. These programs are funded, in part, by USDA, and were established primarily to mediate cases originating from the Farm Service Agency (FSA). In States with a USDA funded mediation program, program participants who are provided appeal rights are generally referred to the USDA funded mediation program. Attachment 1-E may be sent to the program participant to acknowledge their request and Attachment 1-F may be used to refer the case to the mediation service provider. In States where alternative mediation sources are readily available at a lower cost than the USDA-funded mediation program, the State will follow the guidance for States with a Community-Based Mediation Center (CBMC) or states without a USDA-funded mediation program, and include the USDA mediation program on the list of acceptable providers.

4. Mediation in States with a Community-Based Mediation Center

A Community-Based Mediation Center (CBMC) is a non-profit public entity operating under the guidance of a governing board. Its goal is to provide an alternative to the judicial system by the use of trained mediators located in the geographical area served. The CBMC provides mediation services to clients regardless of their ability to pay. In States without a USDA-funded state mediation program, the CBMC is an option. Customers with appeal rights who request mediation can be referred to the CBMC. The State ADR Coordinator should establish a source/vendor list of CBMC's. The list should include the director, contact information, and cost.

5. Mediation in States without a USDA-funded mediation program

In States without a USDA-funded mediation program or access to a CBMC, state offices are responsible for maintaining a list of mediation providers. The State Office will generally maintain this list as program participants are referred to the State Director to initiate mediation. FSA can generally provide a list of acceptable mediation sources in a State. Other contacts include the American National Association of Conflict Resolution or State bar association. When making contacts with these sources, make sure the Agency requests the services of a mediator and not an arbitrator. A mediator resolves disputes by negotiating a resolution through mutual agreement. An arbitrator resolves disputes through hearing both parties and then rendering a binding decision and should not be used. The list will contain the approximate cost of each service provider, if known. States may handle the list of mediation and sources as follows:

- The State may select a mediator provider from the list, provided there is not a significant variation in the cost of service providers. The list is maintained alphabetically and sources selected in sequential order. Attachment 1-E is sent to the program participant to acknowledge their request for mediation and Attachment I-F is used to refer the case to the provider. States will need to maintain documentation to ensure that mediation providers receive an equal number of referrals. If there is a significant variation in costs between the service providers, this option is not used.
- The State may provide the list of mediators to the participant and request the participant to select the source or provide the name of another acceptable source of mediation services. The list contains the approximate cost of each service provider, if known. Attachment 1-E is used for this purpose and provides the participant with 10 days to select a service provider. After selection, Attachment 1-F will be used to refer the case to the mediator. If the program participant does not provide the name of a mediation provider within 10 days, Attachment 1-H is used to notify the program participant of expiration of selection of mediation service provider, and their request for mediation will be considered to be withdrawn. Withdrawal or cancellation of a mediation request does not extinguish the participant's rights to an appeal with NAD. The state office will notify the CSC Appeals Coordinator if the participant's request is withdrawn or canceled.

6. Timing of mediation

Mediation must be completed within 45 days after the case is referred to the mediation source, unless the complexity of the case warrants a longer time frame and all parties agree to a specific time frame. A mediator provider will generally conduct a teleconference between the parties prior to accepting a case to determine if the case can be mediated. The Agency encourages the use of such pre-mediation conference since many adverse decisions in the SFH program may not lend themselves to mediation. Regardless, the Agency will not refuse to participate in mediation if requested to do so by the program participant.

Mediation occurs prior to having a hearing with NAD. Requests for mediation made prior to filing an appeal with NAD stop the clock on the 30-day period during which a participant may appeal to NAD. After mediation has concluded, any days that remain from the 30-day period are available to the participant to request an appeal to NAD.

Attachment 1-H is used for this purpose and will be sent by CSC. To complete Attachment 1-H, CSC will need to determine the number of days the participant took to request mediation. Hearing dates for participants who request mediation after filing an appeal must be selected within 45 days of the conclusion of mediation. Participants may also request mediation after filing an appeal with NAD but prior to the hearing.

7. Mediation on cases involving CSC

Mediation is handled through local sources and the Agency may contribute to the cost of the service. As such, mediation requests from program participants who receive adverse decisions from CSC must be coordinated through the State Office.

When a program participant receives Attachment 1-B or 1-D as a result of an adverse decision made by CSC, the participant is referred to the State Director to initiate mediation. Upon receipt of a program participant's request, the State Office will send Attachment 1-E or 1-F, as applicable. A copy will be provided to the Appeals Coordinator in CSC. When Attachment 1-F is sent to the service provider, the Agency contact will be CSC. While the State Office coordinates this service, CSC is responsible for participating in the actual mediation.

E. Appeal

Participants who wish to appeal an adverse decision must submit a written request to NAD within 30 days of receiving notice of an adverse decision. The request must be signed by the participant and include: (1) a copy of the adverse decision to be appealed; and (2) a brief statement describing why the participant believes the decision is wrong.

Upon receiving a notice from NAD that an appeal has been filed, the Appeals Coordinator in CSC will promptly provide NAD with a copy of the agency record along with a written Brief clearly outlining the Agency's decision, specific references in 7 CFR Part 3550 to support the decision, and any other pertinent information. A copy will also be provided to the program participant.

In accordance with NAD regulations, the program participant has the right to a face-to-face hearing in the participant's state of residence. The program participant also has the right to request that the hearing be handled by teleconference. Since CSC is located in St. Louis, Missouri and cannot be expected to attend hearings throughout the country, the CSC Appeals Coordinator will generally request to participate in the hearing by telephone. In certain routine cases which can be clearly documented, the CSC Appeals Coordinator may also request to

participate only through a written Brief. Where CSC determines that the complexity of the case requires a local presence or the program participant requires a face-to-face meeting, CSC will contact the appropriate state office for assistance. The CSC Appeals Coordinator will promptly provide sufficient documentation and telephone resources to the person selected by the State Director to adequately represent the Agency in the case.

NAD will notify the participant and the Agency once it has made a final determination. If NAD reverses the Agency's decision, the next servicing action that would have occurred had no adverse decision been made must be taken within 30 days after the effective date of the notice from NAD; unless the Agency requests a review of the case by the Director of NAD. See 7 CFR Part 11 (Appendix 4) for more guidance on Director Reviews and other information regarding appeals.

1.10 CONFLICT OF INTEREST [7 CFR 3550.9]

All employees must strive to maintain the highest levels of honesty, integrity, and impartiality in conducting their activities on behalf of the Agency. The Agency's requirements for handling assistance to employees, relatives, and associates are described in RD Instruction 1900-D. To reduce the potential for conflicts of interest, all processing, approval, servicing, or review activity must be conducted by Agency employees who:



- Are not the recipient (applicant or borrower), a recipient's family member, or a close known relative and/or associate of the recipient;
- Do not have an immediate working relationship with the recipient, the Agency employee related to the recipient, or the Agency employee who would normally conduct the activity; and
- Do not have a business or close personal association with the recipient.

A. Borrower Disclosure

Borrowers must disclose any known relationship or association with Agency employees when they apply for assistance through the Agency.

Paragraph 1.10 Conflict of Interest [7 CFR 3550.9]

B. Agency Employee Disclosure

Agency employees must disclose any known relationship or association with a borrower, regardless of whether the relationship is known to others.

C. Disposition of REO Properties

Agency employees and members of their families are precluded from purchasing REO property, assumptions from Agency borrowers, or security property sold at a foreclosure sale. Closing agents and members of their families are precluded from purchasing properties in which they have been professionally involved.

1.11 OTHER FEDERAL REQUIREMENTS



A. Environmental Requirements [7 CFR 3550.5]

The Agency considers environmental quality equally with economic, social, and other factors in its program development and decision-making processes. Therefore, it is important for CSC to be aware of environmental requirements concerning servicing actions, especially during the liquidation process, when the Agency needs to ensure that it will not acquire a property with an environmental liability and that it adequately protects environmental resources prior to liquidation. Agency environmental policies and procedures and historic preservation requirements can be found in RD Instruction 1940-G. Agency-assisted properties also must meet the lead-based paint requirements contained in Exhibit H of RD Instruction 1924-A. Resolution of conflicts or significant differences between Agency environmental regulations and State or local environmental laws requires prior consultation with the State Environmental Coordinator and, if necessary, National Office environmental staff.



B. Construction Standards

Sites and dwellings developed or rehabilitated with Section 502 funds must meet the construction standards outlined in RD Instructions 1924-A and 1924-C. Existing dwellings must be decent, safe, and sanitary and meet all applicable State and local codes.



C. Administrative Requirements

Agency employees must comply with Agency and Departmental administrative requirements.

1. Procurement

Goods and services procured to support Agency activities such as appraisals, inspections, broker services, and property management services must conform with the policies and procedures of RD Instruction 2024-A.

2. File Management

Files and other Agency records must be maintained in accordance with RD Instruction 2033-A.

3. Handling Funds

Funds received in the Field Office that are not part of a borrower's regular installment, for example, credit report fees or appraisal fees are forwarded to CSC using *Form RD 3550-17, Funds Transmittal Report*. If a borrower did not receive a billing statement, Field Staff can submit the payment using *Form RD 3550-27, Substitute Payment Coupon*.

1.12 EXCEPTION AUTHORITY [7 CFR 3550.8]



Exceptions to any requirement of 7 CFR Part 3550 can be approved in individual cases by the Administrator or designee if application of the requirement or failure to take action would adversely affect the Government's interest. Any exception must be consistent with the authorizing statute and other applicable laws.

The CSC Director may not make any exceptions to 7 CFR Part 3550; and may only make exceptions to administrative issues in this handbook with specific authority obtained from the Administrator. The Administrator or designee may delegate exception authority on specific administrative issues in this handbook upon written request from the CSC Director. Once the Administrator has delegated exception authority for a particular administrative issue, the CSC Director may continue to make exceptions for that issue as the need arises. The CSC Director may not re-delegate such authority.

Requests for exceptions are submitted to the Administrator or designee, through the Deputy Administrator, Single Family Housing and may be initiated by the CSC Director; the State Director; the Deputy Administrator, Single Family Housing; or the Director, Single Family Housing Direct Loan Division.

Paragraph 1.12 Exception Authority [7 CFR 3550.8]

The exception request must provide clear and convincing evidence of the need for the exception. At a minimum the request must include:

- A full explanation of the circumstances, including an explanation of the adverse effect on the Government's interest;
- A discussion of proposed alternatives considered; and
- A discussion of how the adverse effect will be eliminated or minimized if the exception is granted.

Requests for exceptions regarding architectural and engineering, environmental, or civil rights issues must also include the review and comments of the applicable State Office technical staff. The Deputy Administrator, Single Family Housing will coordinate these exception requests with the applicable National Office technical staff prior to submission to the Administrator.

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ATTACHMENT 1-A

EQUAL CREDIT OPPORTUNITY ACT

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this assistance is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

ATTACHMENT 1-B

ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF AN APPEALABLE ADVERSE DECISION

The decision described in the attached letter did not grant you the assistance you requested or will terminate or reduce the assistance you are currently receiving. If you believe this decision or the facts used in this case are in error, you may pursue any or all of the following three options.

Option 1 – Request an Informal Administrative Review

If you have questions concerning this decision or the facts used making it and desire further explanation, you may write this office to request an informal administrative review. ***There is no cost for an informal administrative review.*** This written request must be received no later than 15 calendar days from the date of the attached letter. You must present any new information, evidence, and possible alternatives along with your request. You may also have a representative or legal counsel participate in the process, at your cost. The informal administrative review will be conducted by telephone. Please include a day time phone number in your request to arrange for the review. You may skip this step in the informal process and select one of the following two options. If you do, you will automatically waive your right to an informal administrative review.

Option 2 – Request Mediation

You have the right to request mediation for the issues that are available for mediation. ***You will have to pay for at least 50 percent of the cost of mediation.*** Rural Development will pay for the other 50 percent of the cost, provided the Agency has sufficient resources from its appropriated funds. If the Agency does not have sufficient resources, you will be advised how much, if any, the Agency can contribute to the cost of mediation. If you need the information to assist you in deciding whether to seek mediation, you may contact the Rural Development State Director listed below.

If you elect to seek mediation, your written request for this service must be sent to the Rural Development State Director listed below and must be postmarked no later than 30 days from the date of the attached letter. The Rural Development State Director will advise you of the estimated cost of mediation, the extent to which the Agency can contribute to the cost, and the process and procedures for this service. In States with a USDA-funded mediation

program, you will generally be referred to such service. In States without a USDA-funded mediation program, you will be provided with the name or names of mediators. You will be advised directly by the mediation source if they can mediate your case. Once you request mediation, it stops the running of the 30-day period in which you may request an appeal (described in Option 3). If mediation or ADR does not result in resolution of these issues, you have the right to continue with a request for an appeal hearing as set forth in Option 3.

When mediation is concluded, you will be notified of the result and the number of days remaining to request an appeal, if applicable. If you request mediation prior to filing for an appeal, the number of days you will have to request an appeal will be 30 days from the adverse decision minus the number of days you took to request mediation. Mediation does not take the place of, or limit your rights to, an appeal to the National Appeals Division (NAD); however, an NAD appeal hearing would take place after mediation. You may skip mediation and request an appeal hearing. However, in doing so, you will automatically waive your rights to an informal meeting or mediation.

Rural Development State Director address: (A copy must also be sent to the Centralized Servicing Center)

Option 3 - Request an Appeal

You may request an appeal hearing by the National Appeals Division (NAD) rather than an informal administrative review or mediation. *There is no cost for an appeal.* Your request for an appeal must be made no later than 30 days from the date you receive the attached letter. You must write the Assistant Director, NAD, for your region at the following address:

NAD Assistant Director address: (A copy must also be sent to the Centralized Servicing Center)

Your request for an NAD hearing must state the reasons why you believe the decision is wrong, be personally signed by you, and must include a copy of the attached letter.

You have the right to an appeal hearing within 45 days of the receipt of your request. You or your representative or counsel may contact this office anytime during regular office hours in the 10 days following the receipt of your request for a hearing to examine or copy relevant non-confidential material in your file. Photocopies will be provided to you. Your representative or counsel should have your written authorization to represent you and review your file.

The NAD Hearing Officer will contact you regarding a time and place for the hearing. You may also request a teleconference hearing in lieu of the face to face hearing. Rural Development intends to participate in any appeal hearing in writing, by teleconference, or both. At any time before the scheduled hearing you may also request that the Hearing Officer make a decision without a hearing. If you do, the Hearing Officer's decision will be based on the Rural Development file, any written statements or evidence you may provide and any additional information the Hearing Officer thinks necessary.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this assistance is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms of conditions of such a transaction, race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

ATTACHMENT 1-C

**ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF
AN ADVERSE DECISION THAT CANNOT BE APPEALED**

The decision described in the attached letter did not grant you the assistance you requested or will terminate or reduce the assistance you are currently receiving.

If you have questions concerning this decision or the facts used in making it and desire further explanation, you may write this office to request an informal administrative review. This written request must be received no later than 15 calendar days from the date of the attached letter. You must present any new information, evidence, and possible alternatives along with your request. You may also have a representative or legal counsel participate in the process, at your cost. The informal administrative review may be conducted by telephone or in person at the discretion of the agency. Please include a day time phone number in your request to arrange for the review.

Applicants and borrowers generally have a right to appeal adverse decisions, but decisions based on certain reasons cannot be appealed. We have determined that reasons for the decision cannot be appealed under Agency regulations. You may, however, write the Assistant Director, National Appeals Division (NAD) for a review of the accuracy of our finding that the decision cannot be appealed. Your request must be made no later than 30 days from the date you receive the attached letter.

NAD Assistant Director address: (A copy must Also be sent to the Centralized Servicing Center)

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this assistance is the Federal Trade Commission. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

The Fair Housing Act prohibits discrimination in real estate related transactions, or in the terms or conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. The federal agency that is responsible for enforcing this law is the U. S. Department of Housing and Urban Development. If a person believes that they have been discriminated against in violation of this law, they should contact the U. S. Department of Housing and Urban Development, Washington, D.C. 20410 or call (800) 669-9777.

ATTACHMENT 1 - D

**ATTACHMENT TO LETTER NOTIFYING CUSTOMER
OF
UNFAVORABLE DECISION REACHED AS A RESULT
OF AN INFORMAL ADMINISTRATIVE REVIEW**

We appreciated the opportunity to review the facts relative to your [*request for assistance, or reduction or termination of benefits, or foreclosure*]. We regret that the decision in the attached letter did not [*grant the assistance you requested or will terminate or reduce the assistance you are currently receiving, or will give you relief from foreclosure*]. If you believe that facts used in this case are in error, you may pursue either or both of the following two options.

Option 1- Request Mediation

You have the right to request mediation. The purpose of mediation is to resolve disputes through the use of a certified, neutral mediator. In most cases, the mediator is not a Federal employee. A mediator will listen to all parties involved in the dispute and work with all parties to achieve a mutually agreeable resolution. Many cases that go to mediation are resolved without further action, extended delays, or the cost of formal litigation. You have 30 days to request mediation, 10 days to select a mediator, and then 45 days to complete mediation.

There may be a cost for mediation. If so, Rural Development will pay 50 percent of the reasonable cost for mediation. Where there is a cost, it is your responsibility to pay the other 50 percent. Every effort, however, is made to keep any cost to a minimum, and in some cases, the mediator will waive the customer's 50 percent share.

If you elect to seek mediation, your written request for this service must be sent to the Rural Development State Director and ***must be postmarked no later than 30 days from the date of the attached letter***. Once you request mediation, it stops the running of the 30-day period in which you may request an appeal hearing (described in Option 3) but does not waive your right to an appeal.

Once you have requested mediation, the Rural Development State Director will advise you of the mediation service provider, the estimated cost of mediation, the amount the Agency will contribute, and the process and procedures for this service:

- 1) In states with a USDA-funded mediation program, you will be referred to that service.
- 2) In states without a USDA-funded state mediation program, you will be either directed to a local community mediation service; or, you will be provided with the names of mediators from which to select one.
- 3) Also, you may suggest a mediator subject to the Agency's approval.

Once a mediation service provider has been identified, they will contact you and you will have **10 days to contact the mediator**: Following the 10 days that you are allowed to select the mediator, you will be advised directly by the mediation source if they can mediate your case.

Once you have been referred to a mediator, you have **45 days to complete the mediation**. The Agency can agree to an extension. If mediation does not result in resolution of these issues, you have the right to continue with a request for an appeal hearing as set forth in Option 2.

When mediation is concluded, you will be notified of the result and your right, if applicable, to request an appeal hearing.

If you request mediation prior to filing for an appeal, the number of days you will have to request an appeal will be 30 days from the adverse decision minus the number of days you took to request mediation. Mediation does not take the place of, or limit your right to, an appeal to the NAD; however, a NAD appeal hearing would take place only after mediation. You may skip mediation and request an appeal hearing. However, in doing so, you will automatically waive your right to an informal meeting. Once the appeal hearing begins, you also waive your right to mediation.

Option 2 - **Request an Appeal Hearing**

Following your mediation, you may request an appeal hearing by NAD, as long as there are days remaining from the original 30 days to request mediation as outlined in the original adverse decision letter. You must immediately contact the NAD Assistant Director for your region (at the following address) to determine if you can file for an appeal hearing.

[NAD Assistant Director Address]

There is no cost for an appeal hearing. Your request must state the reasons why you believe the decision is wrong, be personally signed by you, and include a copy of the attached letter. A copy of your request must also be sent to the Rural Development State Director:

[Rural Development State Director Address]

You, or your representative or counsel, may contact this office anytime during regular office hours to examine or copy the Agency's record relative to this adverse decision. Photocopies will be provided to you. Your representative or counsel must have your written authorization to represent you and review your file. The NAD Hearing Officer will contact you regarding a time and place for the hearing.

Equal Credit Opportunity Act

[Enclose Exhibit B-1.]

Attachments (2)

Copies for: State and/or National Office Program Director
CSC St. Louis for SFH cases

ATTACHMENT 1-E

**NOTIFICATION TO CUSTOMERS WHO HAVE REQUESTED MEDIATION
OF
THE ASSIGNMENT OF THEIR CASE TO:
A USDA-FUNDED STATE MEDIATION PROGRAM
OR
A COMMUNITY-BASED MEDIATION CENTER
OR
CERTIFIED MEDIATION PROVIDER
FOR
MEDIATION**

TO: [CUSTOMER]

FROM: Rural Development State Director

SUBJECT: Request for Mediation Services

This replies to your request for the mediation of your adverse decision. Your request has been referred to a [USDA-funded state mediation program] [Community Based Mediation Center] or [you must select from the attached list of certified mediation providers].

As indicated in our adverse decision letter, there may be a cost for the mediation. The following is an estimate, but you will be advised by the mediation service provider if there will be a cost. Rural Development policy is to pay 50 percent of the reasonable cost for mediation.

\$ _____ USDA-funded state mediation program [and address]

\$ _____ Community-Based Mediation Center [and address]

Attached is an alphabetical list of certified mediators to select a mediator, or subject to our concurrence you may request the use of another mediator.

Within 10 days of the date of this letter, you must provide this office, in writing, with the concurrence/selection of the mediator. If you do not, you will waive your right to mediation. Rural Development will then contact the mediator, who in turn will contact you to determine if they can mediate the issues in your case. You will then have 45 days to complete the mediation.

When the mediation is concluded, you may file an appeal of the original adverse decision by immediately contacting the National Appeals Division (NAD):

[NAD Assistant Director Address]

Once you have been contacted by the mediation provider and if you decide not to pursue mediation, you must immediately contact this office (address at the top of this letter). You are responsible for all costs incurred by the mediation provider from the time of selection until your cancellation.

Mediation, or the cancellation of mediation, does not affect your rights to seek an appeal with NAD.

Equal Credit Opportunity Act

[Enclose Exhibit B-1.]

Copies for: State and/or National Office Program Director
CSC St. Louis for SFH cases
State ADR Coordinator

**ATTACHMENT 1-F
ASSIGNMENT BY RURAL DEVELOPMENT/USDA OF A CUSTOMER MEDIATION
REQUEST
TO
A MEDIATION SERVICE PROVIDER**

TO: [*Mediation Service Provider*]

FROM: Rural Development State Director

SUBJECT: Request for Mediation

CUSTOMER: [*Name of the Rural Development customer requesting mediation*]
 [*Customer contact information*]

The above Rural Development customer has received an adverse decision from our Agency and has requested mediation. Attached is a copy of the adverse decision letter and the customer's request for mediation.

Informal Administrative Review

- _____ The Customer was provided with the opportunity for an informal administrative review with the Agency; however, the customer chose not to exercise this option.

- _____ An informal administrative review was conducted; however, the Agency did not reverse its decision.

Jurisdiction of the Case

The adverse decision in this case was made by the following office. You should contact this office for further information on the case:

[*Agency contact:*] USDA, Rural Development
 Centralized Servicing Center
 Appeals Coordinator
 ATTN: FC-244
 1520 Market Street
 St. Louis, MO 63103
 (800) 349-5097, extension 2086

Payment for Service

The Rural Development policy is to pay 50 percent of the reasonable cost of the mediation service and the customer will pay 50 percent. In addition, we encourage the mediation service to consider the customer's ability to pay. The customer is solely responsible for their portion of the cost of this service and should be billed directly. The bill for the Agency's portion should be submitted to this Rural Development State Office:

[State ADR Coordinator Name and Address]

Mediation must be completed within 45 days from the date of this letter, unless both parties agree to an extension. We also request a teleconference prior to your acceptance of this case to determine whether the adverse decision lends itself to mediation by your service.

Equal Credit Opportunity Act

[Enclose Exhibit B-1.]

Copies for: State and/or National Office Program Director
CSC St. Louis for SFH cases
State ADR Coordinator

Enclosure (2): Adverse decision letter
Customer's request for mediation

ATTACHMENT 1-G
NOTIFICATION TO CUSTOMER
OF
EXPIRATION OF THE 10 DAYS TO SELECT A MEDIATION SERVICE PROVIDER

TO: [CUSTOMER]
FROM: [State Director]
SUBJECT: Expiration of Selection of Mediation Service Provider

On [date], you requested mediation of the adverse decision as outlined in the attached letter which did not [grant the assistance you requested or will terminate or reduce the assistance you are currently receiving, or will give you relief from foreclosure]. You were also informed that you had 10 days from [date] to either concur in the mediation service assigned by Rural Development to your case, or name another mediation service for our consideration.

The 10 days to acknowledge the selection of the mediation service provider has expired. Your request for mediation therefore has expired, and Rural Development will begin to process the initial adverse decision as outlined in the attached letter.

Request an Appeal Hearing

Your request for mediation did not take the place of, or limit your right to request an appeal to the National Appeals Division (NAD). You may request an appeal hearing by NAD as long as there are days remaining from the original 30 days to request an appeal as outlined in the original adverse decision letter. You must *immediately* contact the NAD Assistant Director for your region (at the following address) to determine if you can file for an appeal hearing.

[NAD Assistant Director Address]

There is no cost for an appeal hearing. Your request must state the reasons why you believe the decision is wrong, be personally signed by you, and include a copy of the attached original decision letter. A copy of your request must also be sent to the Rural Development State Director:

[Rural Development State Director Address]

You, or your representative or counsel, may contact this office at anytime during regular office hours to examine or copy the Agency's record relative to the adverse decision. Photocopies will be provided to you. Your representative or counsel must have your written authorization to represent you and review your file. The NAD Hearing Officer will contact you regarding a time and place for the hearing.

Equal Credit Opportunity Act

[Enclose Exhibit B-1.]

Attachments (2)

Copies for: State and/or National Office Program Director
CSC St. Louis for SFH cases
State ADR Coordinator

ATTACHMENT 1-H
CUSTOMER NOTIFICATION
OF
UNRESOLVED RESULT OF THE MEDIATION OF THE ADVERSE DECISION

TO: [CUSTOMER]
FROM: [State Director]
SUBJECT: Unresolved Result of the Requested Mediation

Your request for mediation has been completed. We regret that mediation did not result in resolution of the issues. [*We are unable to grant the assistance you requested, or will terminate, or will reduce the assistance you requested*]

If you believe the decision or facts used in the case are in error, you may continue to pursue your right to an appeal by the National Appeals Division (NAD). There is no cost for an appeal. Please follow the guidance in the paragraph indicated with an "X."

____ You requested an appeal hearing to NAD prior to entering into mediation. You must immediately write to the Assistant Director of NAD at the address below to determine the number of days remaining, if any, to schedule the appeal hearing.

[NAD Regional Assistant Director Address]

____ You did not request an appeal hearing to NAD prior to entering into mediation. If you wish to schedule an appeal hearing, you must immediately write to the Assistant Director of NAD at the address below to determine the number of days remaining, if any, to schedule the appeal hearing. Your appeal request must be received within the remaining days, as determined by NAD, from the date when you requested mediation.

[NAD Regional Assistant Director Address]

Information Regarding Appeals

If NAD determines that you have appeal rights and you want to exercise those appeal rights, you, or your representative or counsel, may contact this office at anytime during regular office hours to examine or to have copied the Agency's record relating to the original adverse decision. Photocopies will be provided. Your representative or counsel must have your written authorization to represent you and review your file.

The NAD Hearing Officer will contact you regarding a time and place for the hearing. You may also request a teleconference hearing in lieu of the face-to-face hearing. At any time before the scheduled hearing, you may also request that the Hearing Officer make a decision without a hearing.

Equal Credit Opportunity Act

[Enclose Exhibit B-1.]

Copies for: State and/or National Office Program Director
CSC St. Louis for SFH cases
State ADR Coordinator
