

## PART 1902—SUPERVISED BANK ACCOUNTS

### Subpart A—Disbursement of Loan, Grant, and Other Funds

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AUTHORITY: 5 U.S.C. 301; 7 U.S.C. 1989; 7 U.S.C. 6991, *et seq.*; 42 U.S.C. 1480; Reorganization Plan No. 2 of 1953 (5 U.S.C. App.).

### Subpart A—Disbursement of Loan, Grant, and Other Funds

SOURCE: 46 FR 36106, July 14, 1981, unless otherwise noted.

#### § 1902.1 General.

This subpart prescribes the policies and procedures of the Farmers Home Administration (FmHA) or its successor agency under Public Law 103-354 for disbursement of funds under the Loan Disbursement System (LDS), in establishing and using supervised bank accounts, and in placing Multi-Family Housing (MFH) reserve accounts in supervised bank accounts. The LDS system provides for disbursement of funds on an as needed basis to substantially

reduce interest costs to FmHA or its successor agency under Public Law 103-354 borrowers, U.S. Treasury, and FmHA or its successor agency under Public Law 103-354.

(a) Forms FmHA or its successor agency under Public Law 103-354 1940-1, "Request for Obligation of Funds," and FmHA or its successor agency under Public Law 103-354 1944-51, "Multiple Family Housing Obligation—Fund Analysis," provide for obligation only, obligation and check request for the full amount of the loan or grant except for MFH, and obligation and check request for a partial amount of the loan or grant. The instructions on when and how to use these forms are contained in the Forms Manual Insert (FMI) for the forms. Instructions for using Form FmHA or its successor agency under Public Law 103-354 1944-51 for obligation and check request via computer terminal may also be found in the "Multiple Family Housing User Procedures." FmHA or its successor agency under Public Law 103-354 forms are available in any FmHA or its successor agency under Public Law 103-354 office.

(b) Forms FmHA or its successor agency under Public Law 103-354 440-57, "Acknowledgement of Obligated Funds/Check Request" and FmHA or its successor agency under Public Law 103-354 1944-57, "MFH Acknowledgement of Obligated Funds/Check Request," provide for:

- (1) The initial loan check;
- (2) All subsequent loan checks;
- (3) Making corrections on the data in the loan account as reflected on the form;
- (4) Notifying the Finance Office of the loan closing date and the loan amortization effective date;
- (5) Providing requested information from the Finance Office; and,
- (6) For Multiple Family Housing (MFH) loans providing Maximum Debt Limit and Appraised Value. The instructions on when and how to use these forms are contained in the FMI for the forms. However, for MFH loans and grants whenever possible, check obligation requests and loan closings should be done via the field office computer terminal. Instructions may be found in the "Multiple Family Housing User Procedures."

(c) See FmHA or its successor agency under Public Law 103-354 Instruction 2018-D (available in any FmHA or its successor agency under Public Law 103-354 office) for procedures to follow if checks are lost or destroyed.

(d) Borrowers as referred to in this subpart include both loan and grant recipients. They are referred to as depositors in the deposit agreements herein-after described. References herein and in deposit agreements to "other lenders" include lenders and grantors other than FmHA or its successor agency under Public Law 103-354.

(e) Banks referred to in this subpart are those in which deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

(f) Savings and Loans referred to in this subpart are those in which deposits are insured by the Federal Savings and Loan Insurance Corporation (FSLIC).

(g) Credit Unions referred to in this subpart are those in which deposits are insured by the National Credit Union Administration (NCUA).

(h) Financial Institutions as referred to in this subpart include banks, savings and loans, and credit unions which are covered by the proper insurance coverage cited in paragraphs (e), (f) and (g) of this section.

(i) Supervised bank accounts referred to in this subpart are bank, savings and loan, or credit union accounts established through deposit agreements entered into between the borrower, the United States of America acting through the FmHA or its successor agency under Public Law 103-354, and the Financial Institution on Form FmHA or its successor agency under Public Law 103-354 402-1, "Deposit Agreement".

(j) Form FmHA or its successor agency under Public Law 103-354 402-1 provides for the deposit of funds in a supervised bank account to assume the performance of the borrower's obligation to FmHA or its successor agency under Public Law 103-354 in connection with a loan and grant.

(k) "Interest-Bearing Deposit Agreement" (Exhibit B), provides for the deposit of loan or grant funds that are not required for immediate disbursement in specified interest-bearing de-

posits, and it is executed in conjunction with Form FmHA or its successor agency under Public Law 103-354 402-1.

[46 FR 36106, July 14, 1981, as amended at 50 FR 8584, Mar. 4, 1985; 53 FR 35670, Sept. 14, 1988; 54 FR 47959, Nov. 20, 1989; 59 FR 3778, Jan. 27, 1994; 59 FR 54788, Nov. 2, 1994]

EFFECTIVE DATE NOTE: At 69 FR 69104, Nov. 26, 2004, § 1902.1 was amended in paragraph (a) by revising the words "Form FmHA or its successor agency under Public Law 103-354 1944-51" to read "Form RD 3560-51" in both places, effective February 24, 2005.

#### § 1902.2 Policies concerning disbursement of funds.

(a) The Automated Data Processing System (ADPS) will be utilized whenever possible in accordance with the specific program procedures, except where prohibited by State statutes. The capability to request Treasury checks on an as needed basis reduces the need for supervised bank accounts. *Therefore, supervised bank accounts will be used only in certain instances. e.g.:*

(1) When a construction loan is made and the construction is substantially completed, but a small amount is being withheld pending completion of landscaping or some similar item, or a small loan closing. In this case, the amount of funds not disbursed when the predetermined amortization effective date occurs may be placed in a supervised bank account for future disbursement as appropriate.

(2) When a large number of checks will be issued in the construction of a dwelling or other development, as for example under the "borrower method" of construction or in Operating (OL) loans and Emergency (EM) loans. In such cases, installment checks will be requested from the Finance Office as necessary and deposited in a supervised bank account and disbursed to suppliers, sub-contractors, etc., as necessary. Those District and County Offices authorized to request checks by the ADPS may request more than one check at a time. If more than one check is required, a Form FmHA or its successor agency under Public Law 103-354 440-57 or Form FmHA or its successor agency under Public Law 103-354 1944-57 will be prepared for each check.

(3) Association loan and grant funds made on a multiple advance basis need