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§ 1901.503

San Francisco Office: Old Post Office Building, Mission and 7th Streets, Post Office Box 5700, San Francisco, Calif. 94104.

States covered: Arizona, Utah, Idaho, and West, including Hawaii and Alaska. Attention: Mr. Garland Gordon. Telephone: 415-556-7711.

Denver Office: 1978 South Garrison Street, Denver, Colo. 80225.

States covered: Wisconsin, Iowa, Missouri, Oklahoma, Texas and West to San Francisco area. Attention: Mr. Jack R. Rudy. Telephone: 303-234-2560.

Atlanta Office: 730 Peachtree Street, Atlanta, Ga. 30308.

States covered: All others East of Denver area. Attention: Mr. Wilford Susted. Telephone: 404-526-2611.

Subparts G–J [Reserved]

Subpart K—Certificates of Beneficial Ownership and Insured Notes

AUTHORITY: 7 U.S.C. 1989; 42 U.S.C. 1480; delegation of authority by the Secretary of Agriculture, 7 CFR 2.23; delegation of authority by the Assistant Secretary for Rural Development, 7 CFR 2.70.

SOURCE: 41 FR 51799, Nov. 24, 1976, unless otherwise noted.

§ 1901.501 Purpose.

This subpart prescribes policies and procedures for Farmers Home Administration (FmHA) or its successor agency under Public Law 103-354 certificates of beneficial ownership and insured notes. This subpart is inapplicable to Farm Service Agency, Farm Loan Programs.

[41 FR 51799, Nov. 24, 1976, as amended at 72 FR 64121, Nov. 15, 2007]

§ 1901.502 Policy.

It is the current policy to sell all certificates of beneficial ownership to the Federal Financing Bank for financing activities from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund. Sales from the Rural Housing Insurance Fund will be made to the Federal Financing Bank to the extent necessary to service certificates of beneficial ownership held by the Federal Financing Bank. Sales in excess of those needed for servicing requirements will be made to the public. In addition to sales, this subpart provides policy for the servicing of out-

standing certificates of beneficial ownership, insurance contracts, and insured notes held by investors.

[51 FR 24301, July 3, 1986]

§ 1901.503 Definitions.

(a) As used in §§ 1901.505, 1901.507, 1901.508 and 1901.509 the following definitions will apply:

(1) *Announcement of sale.* Any notice of terms and conditions respecting a sale of certificates.

(2) *Certificate.* A certificate of beneficial ownership issued by Farmers Home Administration (FmHA) or its successor agency under Public Law 103-354 under this subpart.

(3) *Director, Finance Office.* The Director or the Insured Loan Officer of the Finance Office of FmHA or its successor agency under Public Law 103-354.

(4) *FmHA or its successor agency under Public Law 103-354.* The United States acting through the Farmers Home Administration or its successor agency under Public Law 103-354.

(5) *Finance Office.* The office which maintains the FmHA or its successor agency under Public Law 103-354 finance records. It is located at 1520 Market Street, St. Louis, Missouri 63103. (Phone: 314-425-4400)

(6) *Fixed period.* Any time interval (preceding an option period) during which the insured holder is not entitled to require FmHA or its successor agency under Public Law 103-354 to purchase the insured note, as specified in the insurance agreement.

(7) *Insurance agreement.* The entire contract evidencing and setting forth the terms and conditions of FmHA or its successor agency under Public Law 103-354 insurance of the payment for the insured note. The insurance agreement with respect to any particular loan may be evidenced by Form FmHA or its successor agency under Public Law 103-354 440-5, "Insurance Endorsement (Insured Loan)," FmHA or its successor agency under Public Law 103-354 440-30, "Insurance Endorsement (Insured Loans)," or any other form or forms prescribed by the National Office and executed by an authorized official of FmHA or its successor agency under Public Law 103-354. It may include such

provisions as, for example, an agreement of FmHA or its successor agency under Public Law 103-354 to purchase or repurchase the loan, or to make supplementary payments from the insurance fund.

(8) *Insurance fund.* The Agricultural Credit Insurance Fund authorized by section 309 of the Consolidated Farm and Rural Development Act, the Rural Development Insurance Fund authorized by section 309A of the Consolidated Farm and Rural Development Act, or the Rural Housing Insurance Fund authorized by section 517 of title V of the Housing Act of 1949.

(9) *Insured holder.* The current owner of an insured note other than FmHA or its successor agency under Public Law 103-354, according to the records of FmHA or its successor agency under Public Law 103-354 is insurer of the note.

(10) *Insured note.* Any promissory note or bond evidencing an insured loan regardless of whether it is held by FmHA or its successor agency under Public Law 103-354 in the insurance fund, by a private holder, or by FmHA or its successor agency under Public Law 103-354 as trustee.

(11) *Loan.* Loans made and held in the Agricultural Credit Insurance Fund, Rural Development Insurance Fund, or the Rural Housing Insurance Fund.

(12) *National Office.* The Administrator or other authorized officer of the FmHA or its successor agency under Public Law 103-354 in Washington, DC.

(13) *Option period.* Any period during which the insured holder has the optional right to require the FmHA or its successor agency under Public Law 103-354 to purchase the insured note, as specified in the insurance agreement.

(14) *Par value.* The total amount to which the insured holder is entitled under the terms of the insurance agreement.

(15) *Private buyer.* A buyer of an insured note other than FmHA or its successor agency under Public Law 103-354.

(16) *Private holder.* An insured holder other than FmHA or its successor agency under Public Law 103-354.

(17) *Repurchase agreement.* A provision in the insurance agreement obligating FmHA or its successor agency under

Public Law 103-354 to buy the insured note at the option of the holders.

(18) *Sale, or seller, and buyer.* The transfer of ownership (including possession or the right of possession), the transferor, and the transferee respectively.

(19) *State Director.* The State Director of FmHA or its successor agency under Public Law 103-354 for the State in which is located the real estate improved, purchased, or refinanced with the loan evidenced by the insured note.

(b) As used in § 1901.506 the following definitions will apply:

(1) *Reserve bank.* The Federal Reserve Bank of New York (and any other Federal Reserve Bank which agrees to issue securities in book-entry form) as fiscal agent of the United States acting on behalf of FmHA or its successor agency under Public Law 103-354 and, when indicated, acting in its individual capacity.

(2) *FmHA or its successor agency under Public Law 103-354 security.* A certificate representing beneficial ownership of notes, bonds, debentures, or other similar obligations held by FmHA or its successor agency under Public Law 103-354 under the Consolidated Farm and Rural Development Act and title V of the Housing Act of 1949, issued in the form of a definitive FmHA or its successor agency under Public Law 103-354 security or a book-entry FmHA or its successor agency under Public Law 103-354 security.

(3) *Definitive FmHA or its successor agency under Public Law 103-354 security.* An FmHA or its successor agency under Public Law 103-354 security in engraved on printed form.

(4) *Book-entry FmHA or its successor agency under Public Law 103-354 security.* An FmHA or its successor agency under Public Law 103-354 security in the form of an entry made as prescribed in this subpart on the records of a Reserve bank.

(5) *Pledge.* A pledge of, or any other security interest in, FmHA or its successor agency under Public Law 103-354 securities as collateral for loans or advances, or to secure deposits of public moneys or the performance of an obligation.

(6) *Date of call.* The date fixed in the official notice of call published in the

FEDERAL REGISTER on which FmHA or its successor agency under Public Law 103-354 will make payment of the security before maturity in accordance with its terms.

(7) *Member bank.* Any national bank, state bank, or bank or trust company which is a member of a Reserve bank.

§ 1901.504 Authorities and responsibilities.

The Administrator will approve all methods of FmHA or its successor agency under Public Law 103-354 financing and major changes in existing methods. The Director, Finance Office, is responsible for servicing of all certificates of beneficial ownership and insured notes issued by the Finance Office, the Federal Reserve Bank of New York for the servicing of insurance contracts, and the Federal Reserve banks for certificates of beneficial ownership for which the Reserve banks are FmHA or its successor agency under Public Law 103-354's fiscal agents.

§ 1901.505 Certificates of beneficial ownership in FmHA or its successor agency under Public Law 103-354 loans.

(a) *Special trust of loans—(1) Establishment of special trusts.* From time to time FmHA or its successor agency under Public Law 103-354 will place in special trusts unmaturing loans evidenced by notes or other instruments. Loans may be placed into or removed from a special trust, but there will always be maintained in such trusts loans on which the unpaid amount is at least equal to the face value of the outstanding unmaturing certificates evidencing beneficial ownership in such special trust as provided in paragraph (a)(2) of this section.

(2) *Beneficial ownership of special trusts.* To permit interested persons to acquire a beneficial ownership of loans comprising a special trust established under paragraph (a)(1) of this section, FmHA or its successor agency under Public Law 103-354 will sell certificates which will evidence beneficial ownership of an interest in the special trust to the extent of the face value of such certificates. FmHA or its successor agency under Public Law 103-354 will

own an interest in special trusts equal to the amount by which the unpaid principal amount of loans comprising the trusts exceeds the face value of all outstanding certificates evidencing beneficial ownership in such trusts.

(b) *Sale of certificates.* FmHA or its successor agency under Public Law 103-354 will offer certificates for sale from time to time on such terms and conditions it may deem appropriate. Sales made by the Finance Office shall be made by its Director. No sale in excess of \$1 million will be made to any one investor without prior approval of the Associate Administrator or his designee. The terms and limitations of sales are subject to change from time to time, and may be obtained from the Finance Office.

(1) *Form of certificates.* The certificates may be interest-bearing or non-interest-bearing. The certificates may be made payable to the bearer or registered holder thereof, and will be negotiable. The certificates will be issued in denominations specified in the invitations for bid or other announcement of sale.

(2) *Issue date and maturity date of certificates.* The certificates will be issued on such dates and mature on such dates as specified in the invitation for bids or other announcement of sale. Such dates will appear on the face of the certificates.

§ 1901.506 Book-entry procedure for FmHA or its successor agency under Public Law 103-354 securities—issuance and redemption of certificate by Reserve bank.

(a) *Authority of Reserve bank.* Each Reserve bank is hereby authorized in accordance with the provisions of this subpart to:

(1) Issue book-entry FmHA or its successor agency under Public Law 103-354 securities by means of entries on its records which shall include the name of the depositor, the amount, the securities title (or series) and maturity date.

(2) Effect conversions between book-entry FmHA or its successor agency under Public Law 103-354 securities and definitive FmHA or its successor agency under Public Law 103-354 securities.

(3) Otherwise service and maintain book-entry FmHA or its successor