

CHAPTER 1: OVERVIEW

SECTION 1: INTRODUCTION TO THE FIELD OFFICE HANDBOOK

1.1 WELCOME TO THE FIELD OFFICE HANDBOOK

This handbook provides Agency staff with the tools needed to originate loans efficiently and effectively. Its goal is to help Loan Originators and Loan Approval Officials in Field Offices move applicants through the origination process smoothly, while making sure that basic legal and administrative requirements are met. The handbook:

- Describes loan processing policies and establishes procedures for originating Section 502 direct loans and Section 504 loans and grants;
- Provides policies and procedures for managing and disposing of Real Estate Owned (REO) properties; and
- Describes, in general terms, the role of the Customer Service Center (NFAOC) and provides guidance for conducting servicing activities in which the Field Office may be involved.

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.

A. 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.
- **Form references.** All forms referenced in this handbook can be found in Appendix 2 and all letters can be found in Appendix 3. For non-Agency forms, the form numbers listed in this handbook are subject to change. Any successor form issued by the form's owner should be used.
- **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. Exhibits are numbered in sequence, using the chapter number; for example, Exhibit 3-1 is the first exhibit in Chapter 3. 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.

B. Attachments and Appendices

- **Glossary and acronyms lists.** Key words and terms are defined in the glossary. A list of acronyms is also provided at the end of the handbook. The glossary and acronyms list can be found at the end of the handbook text.
- **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.

C. 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.
- **Field Office.** Because the number of offices and the nature of the work conducted in each office may vary from State to State, the term “Field Office” is used throughout this handbook to refer to the office that is originating the loan.
- **Loan Originator and Loan Approval Official.** “Loan Originator” refers to a person who is working directly with an applicant and conducting the basic underwriting analysis. “Loan Approval Official” is used whenever someone other than the Loan Originator must approve an action. Unless otherwise specified, each State Director may determine which actions may be approved at the Field Office and which must be approved at the State Office.

Paragraph 1.2 Using This Handbook

- **Field Staff and Approval Official.** These terms refer to a person who is completing tasks for purposes other than originating a loan and is located in the field.
- **NFAOC or Servicing Center.** These terms are used to refer to individuals in the Customer Service Center, previously known as the Centralized Servicing Center.
- **Applicant.** The term “applicant” refers to one or more individuals who have applied for Agency assistance.
- **Borrower.** The term “borrower” refers to one or more individuals who are receiving Agency assistance.

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.
- **Partnerships.** Working with partners, such as private lenders, nonprofit organizations, and State and local agencies, can enhance the Agency's ability to serve more borrowers.
- **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, underwrite loans responsibly, and leverage funding with private sources of credit to the extent possible.

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 under § 501 of the Housing Act of 1949, as amended, and outlined 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.

Paragraph 1.4 Section 502 -- An Overview

- Be unable to obtain sufficient credit from another source;
- Agree to personally occupy the dwelling;
- Meet citizenship or eligible noncitizen 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.

Detailed procedures for processing Section 502 loans are provided in Chapter 2 through Chapter 11.

B. Nonprogram Loans

The Agency may provide credit on nonprogram terms to expedite the assumption of an existing program loan or purchase of an REO property by a borrower who is not eligible for the Section 502 program. Nonprogram loans are originated only when it is in the best interest of the Government. Nonprogram loans are discussed in detail in Chapter 11.

C. Demonstration Programs (7 CFR 3550.7)

The Agency may implement Demonstration Programs to meet the overall objectives of the Section 502 program which are outside the guidelines of this handbook or published regulations. Demonstration Programs may be initiated internally or may be required by legislation. The Rural Housing Demonstration Program is discussed in Appendix 5.

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 and rehabilitate their properties or correct health and safety hazards. 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. Detailed guidance on originating Section 504 loans and grants is provided in Chapter 12.

Paragraph 1.5 Section 504 -- An Overview

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 who cannot afford a loan. Recipients may receive multiple grants, up to a lifetime maximum of \$7,500.

B. Section 504 Loans

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

1.6 LOAN SERVICING

Once loans are closed and the final disbursement has been made, they are serviced by NFAOC, located in St. Louis, Missouri. NFAOC handles payments from the borrower, maintains escrow accounts for taxes and insurance, and provides counseling to past-due borrowers. When necessary, NFAOC initiates action to liquidate borrower accounts. Borrowers who are unable to repay their loans may be eligible for a variety of special servicing actions such as delinquency workout agreements and payment moratoriums. Field Offices will be asked to assist with servicing actions when a local presence is needed. Field Office servicing functions are described in Chapter 13.

1.7 SECTION 306C WATER AND WASTE DISPOSAL (WWD) GRANTS TO INDIVIDUALS

Applicants may also be eligible to receive a Section 306C WWD grant if the applicant is a resident of a colonia located in a rural area and meets the other program requirements. The objective of this program is to facilitate the use of community and/or waste disposal systems. Appendix 6 provides information on the Section 306C WWD program.

HB-1-3550

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SECTION 3: 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.

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.
- **Executive Order 13166.** Prohibits discrimination on the basis of national origin, and ensures programs normally provided in English are accessible to persons with Limited English Proficiency (LEP).

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 applicants are treated fairly. Poor program implementation, whether or not discrimination is intended, has possible civil rights consequences.

Key Civil Rights Issues for Loan Origination

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

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

- **Outreach.** Information about the availability of the program and how to apply must be broadly disseminated and the extent of the information, assistance, and courtesy extended to those who make inquiries must be consistent.
- **Application-taking procedures.** Application-taking procedures must be fair and accessible to all potential applicants.
- **Determining eligibility.** Loan Originators must use equal rigor for all applicants when verifying income, conducting credit checks, and allowing applicants to clarify information.
- **Making exceptions.** Standards for offering exceptions must be applied consistently.
- **Loan terms and subsidies.** Opportunities for subsidies and favorable loan terms must be made available consistently.
- **Hearings and appeals.** Avenues for remedies when problems arise must be accessible to all applicants.

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 applicants can get good program information (for example, a Telecommunications Device for the Deaf (TDD)).

1.9 REVIEW AND APPEALS [7 CFR 3550.4]

A. Adverse Decisions

Decisions that are not made in favor of a program participant (applicant or borrower) are known as adverse decisions. 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, regulations, or within a reasonable time if no deadline is specified. Adverse decisions must be based upon 7 CFR Part 3550 (Appendix 1) and the administrative guidance contained in Handbook 1- 3550. If an Agency Official is making an adverse decision regarding a borrower that is also under the jurisdiction of NFAOC, the official should first consult with NFAOC and document the file accordingly. Handbook Letter 15 (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.

7 CFR Part 11 is the National Appeals Division (NAD) regulation which provides procedure that Agency officials and the applicant/borrower must follow when an adverse decision is appealed.

B. State Director Responsibilities

State Directors should issue a State Supplement providing guidance for processing appeal and mediation requests. The guidance must include an attachment outlining mediation service provider(s) specific to their State and identify an Alternative Dispute Resolution (ADR) Coordinator.

C. ADR Coordinator Responsibilities

The ADR Coordinator is responsible for the following duties:

- Establishing a source/vendor list of Community-Based Mediation Centers (CBMCs) and/or Alternative Mediation Service Providers. If the State does not have a USDA-funded mediation program, use the guidance provided in RD Instruction 1940-E, 1940.206 (c)(1). The source/vendor list will be maintained annually in alphabetical order and the providers are selected in sequential order. States will need to maintain documentation to ensure that mediation providers receive an equal number of referrals. The source/vendor list will include the name of the provider, contact information, and costs associated for the service, if applicable.. The Farm Service Agency (FSA) may be able to provide the ADR Coordinator with a list of acceptable mediation service providers in the State. Additional contacts include the National Association of Conflict Resolution or the State Bar Association. When contacting these sources, the Agency must request the services of a mediator and not an arbitrator. A mediator resolves disputes by negotiating a resolution through mutual agreement. However, an arbitrator resolves disputes through hearing both parties and renders a binding decision which may not be used.
- Verifying the request for mediation is received within 30 days of receipt of adverse decision. If the request was received within the designated timeframe, issue Attachment 1-D, Notification to Applicants/Borrowers of The Assignment of Their Case to a Mediation Service Provider. When the State does not have a USDA-funded mediation program, the applicant/borrower will have 10 days to select a mediation service provider.
- Issuing Attachment 1-E, Request a Mediation Service and forward the mediation request to the selected service provider. If a service provider is not selected within 10 days, issue Attachment 1-F, Notification of Expiration for the Selection of a Mediation Service Provider.
- Ensuring the meditation hearing is conducted within 45 days of receipt of mediation request.
- Issuing Attachment 1-G, Customer Notification of Unresolved Resolution to inform the applicant/borrower mediation did not resolve the dispute and provide available options.
- Communicating and ensuring copies of Agency related mediation correspondence and documentation have been distributed to all parties involved.

The ADR Coordinator is not responsible for attending mediation and/or hearings; that is the responsibility of the Agency representative.

D. Agency Representative Responsibilities

The Loan Approval Official/Decision maker is the person who rendered the adverse decision and is typically the Agency representative; however, a designated Agency official may be elected to represent the Agency. Agency Representative responsibilities include the following:

- Furnishing documentation to support the adverse decision. Conducting a complete analysis of eligibility requirements for the services requested and determining if any alternative options are available to the applicant/borrower. The Loan Approval Official needs to ensure the adverse decision letter lists all applicable reasons for the denial and contains a brief narrative including programmatic provisions, and pertinent facts to support their decision.
 - If the application is denied due to lack of repayment ability, the supporting documentation should include a detailed analysis of income calculations, all relevant income verifications and documentation supporting the consideration of compensating factors, per paragraph 4.24 (a).
 - If the application is denied due to adverse credit, the supporting documentation should include a completed and signed Form RD 1944-61, Credit History Worksheet. The analysis must document the consideration of paragraph 4.14(a) compensating factors and include the applicant's written explanation for derogatory credit.
- Preparing and representing the Agency in mediations and hearings. This may include a face-to-face hearing involving a servicing matter, in which the NFAOC Appeals Coordinator requested the State Director to appoint a representative to attend the hearing and represent NFAOC. The NFAOC Appeals Coordinator will provide supporting documentation and contact information to the representative selected.
- Implementing the next servicing/processing action within 30 days of the effective date from the mediation/appeal's final determination.

Exhibit 1-2
Sample Adverse Decision Letter-Credit

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

Re: Application for \$154,000 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:

The applicant(s) must demonstrate the ability and willingness to meet debt obligations. According to 7 CFR 3550.53(h) the applicant must have an acceptable credit history to obtain program assistance. The specific regulation(s) that apply are listed below:

- (1)(ii). Payments on any account which was delinquent for more than 30 days on two or more occasions within a 12-month period.
- (1)(vii). Outstanding collections with a record of irregular payment with no satisfactory arrangements for repayment, or collection accounts that were paid in full within the last six months.

The following accounts are indicators of unacceptable credit:

Student	Account #1234566	collection	\$300
Walmart	Account #1234569	delinquent	3x late 1/2017, 2/2017, 3/2017
Verizon	Account #5461313	collection	\$600

Per our conversation on 1/1/2017, there were no extenuating circumstances relating to the adverse credit history.

If one of the above reasons included an unacceptable credit history, please note that a tri-merge credit report was obtained from Equifax Mortgage Solutions, 4300 Westown Parkway, Suite 200, West Des Moines, IA 50266. You may obtain a free copy of your credit report from Equifax and dispute the accuracy or completeness of the report directly to Equifax. While the report was provided by Equifax, the decision to deny your request for assistance was made by this Agency and not Equifax.

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,

Attachment

1.10 AGENCY DECISIONS

A. Informal Administrative Review

When an Agency representative makes a decision that will adversely affect an applicant/borrower, the applicant/borrower is entitled to an opportunity for a separate informal meeting with the decision maker or next level supervisor. The Agency representative must give the applicant/borrower notice of their right to this meeting no later than 10 days after the date of adverse decision. If the informal meeting does not result in a resolution of the matter, Attachment 1-A, Informal Administration Review, will be sent within 7 days.

B. Appealable Decisions

Attachment 1-B, An Appealable Adverse Decision, will be provided to the applicant/borrower no later than 10 days after the adverse decision, which includes rights to seek a mediation and/or request a hearing with National Appeals Division (NAD).

In cases where denial of assistance is based upon both appealable and non-appealable actions, the denial of assistance is not appealable. Attachment 1-C, Non-Appealable Adverse Decision, will be used in these cases and will include all reasons for the adverse decision.

C. Non-Appealable Decisions

Certain decisions made by the Agency cannot be appealed. In these cases, the applicant/borrower is offered an opportunity for an informal administrative review; however, appeal rights to NAD and mediation are not offered. The applicant/borrower will be informed no later than 10 days after the adverse decision using Attachment 1-C, Non-Appealable Adverse Decision. The attachment provides an opportunity to request an informal administrative review and/or NAD request to review the accuracy of the Agency's decision. Decisions that cannot be appealed include the following:

- 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 official's refusal to request an administrative waiver under the provisions of Paragraph 1.12 of this handbook, or a waiver authorized by any applicable regulation;
- Denials of assistance due to lack of funds;
- Denials of Section 504 grants to applicants under the age of 62;
- Rural area designations; and
- Denials due to income calculations above the applicable adjusted income limit (low-income at the time of eligibility or moderate-income at the time of loan closing).

1.11 PARTICIPANT RIGHTS

The applicant/borrower can request all applicable appeal and/or mediation options below within 30 days of receipt of the adverse decision letter. The requests for an appeal and/or mediation can be submitted simultaneously; however; the options below should be performed in sequential order. If an applicant chooses to skip any of the options below, doing so will waive their right to the previous option.

The applicant/borrower has the right to a face-to-face hearing or a hearing held by teleconference in the applicant/borrower's State of residence .

A. Informal Administrative Review

The applicant/borrower must make a request for an informal administrative review in writing, and the request will be retained in the applicant/borrower's case file. The informal administrative review can be conducted by the decision maker or next level supervisor. The purpose of the informal administrative review is to further explain the Agency's reasons for the adverse decision, listen to why the applicant/borrower feels the decision may be incorrect, and obtain additional supporting information from the applicant/borrower if applicable. The review must be completed within 45 days of the request. If the adverse decision was not reversed, the applicant/borrower will be notified of the outcome in writing using Attachment 1-A, Informal Review Determination. The State Director may require the next-level supervisor or other designated Agency representative to review the determination prior to notifying the applicant/borrower.

B. Mediation

Adverse decisions which are appealable to NAD also require the applicant/borrower be provided the opportunity to seek mediation prior to conducting a hearing with NAD. The purpose of mediation is to resolve disputes through the use of a neutral mediator. Once the request is forwarded to the mediation provider, a mediation decision must be completed within 45 days. If the complexity of the case warrants a longer time frame, all parties must agree to the specified time frame. A mediator will generally conduct a teleconference between the parties prior to accepting the request and to determine if the request can be mediated.

There is generally a cost associated with the participation in a mediation. The cost is contingent upon the service provider. When there are costs, they will be shared equally between the Agency and the applicant/borrower, if Agency funds are available. When Agency program funds are unavailable, the Agency will participate in mediation if requested by the applicant/borrower; however, the applicant/borrower will be notified of their estimated cost for this service in advance and the portion of the cost the Agency will pay (if any). The State Director will ensure that all participants requesting mediation in their State are treated consistently and pay the same percentage of the cost toward this service. The State Director may also consent to pay a larger percentage (up to 100 percent) of the cost for applicants/borrowers with income below the federal poverty level. The State will provide a USDA-funded mediation service provider or a list of acceptable mediators to the applicant/borrower and request the participant select an acceptable provider within 10 days. The Agency will issue Attachments 1-E, Request a Mediation Service to the provider selected. If State funds are unavailable, the State will request Program Loan Cost Expense (PLCE) "A" funds from the National Office. PLCE funds can be requested using the [survey tool](#), and must include the applicable PAC code provided in RD Instruction 2024-A Exhibit D.

If the applicant/borrower does not select a mediation provider within 10 days, issue Attachment 1-F, Notification of Expiration of the Selection of a Mediation Service Provider. The attachment is used to notify the applicant/borrower of expiration and withdrawal of their mediation request. Withdrawal or cancellation of a mediation does not extinguish the applicants/borrower's right to request an appeal with NAD. There are three types of mediation service providers as follows:

1. USDA-funded mediation program

Many states have a 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, the applicant/borrower is provided appeal rights and will be generally referred to the USDA-funded mediation program. In states where alternative mediation sources are readily available at a lower cost, the state will follow the guidance using Community-Based Mediation Center or Alternative Mediation Service Providers and include a the list of acceptable providers.

2. Community-Based Mediation Center

A CBMC is a nonprofit, 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 mediation program, the CBMC is an option. Applicants/borrowers with appeal rights who request mediation can be referred to the CBMC.

3. Alternative mediation service providers

In states without a USDA-funded mediation program or access to a CBMC, Agency officials will provide a list of alternative mediation service providers. If there is a significant variation in cost between service providers, this option will not be used.

C. Appeal

Applicant(s)/Borrower(s) who choose to appeal an adverse decision must submit a written or electronic request to NAD within 30 days of receiving notice of an adverse decision. The request must be signed and include: (1) a copy of the adverse decision to be appealed; and (2) a brief statement describing why the applicant/borrower believes the decision is wrong.

Upon receiving a notice from NAD that an appeal has been filed, the Loan Approval Official/Agency Representative will promptly provide NAD with a copy of the Agency record, specific references in 7 CFR Part 3550 supporting the adverse decision, and any other pertinent information. A copy will also be provided to the applicant/borrower.

Paragraph 1.11 Participant Rights

NAD will notify the applicant/borrower and the Agency once it has made a final determination. If NAD reverses the Agency's decision, the next processing action must take place within 30 days after the effective date of the notice; unless the Agency requests a review of the case by the Director of NAD. For further guidance on a Director's review and/or additional information, refer to 7 CFR Part 11, § 11.6 – 11.11.

1.12 NAD HEARING PREPARATION

Providing Agency record means supplying all materials maintained by an Agency related to an adverse decision, including all materials prepared or reviewed by the Agency during its consideration. If requested by the applicant/borrower prior to the hearing, a copy of Agency record shall be provided to the applicant/borrower (appellant) by the Agency within 10 days of receipt of the request.

The Administrative Judge shall set a reasonable deadline for submission of the following documents:

By the Appellant:

1. A short statement of why the decision is wrong;
2. A copy of any document which is not in the Agency record that the appellant anticipates introducing at the hearing; and
3. A list of anticipated witnesses and brief descriptions of the evidence such witnesses will offer.

By the Agency:

1. A copy of the adverse decision challenged by the appellant;
2. A written explanation of the Agency's position, including the regulatory or statutory basis thereof;
3. A copy of any document which is not in the Agency record that the Agency anticipates introducing at the hearing; and
4. A list of anticipated witnesses and brief descriptions of the evidence such witnesses will offer.

Not less than 14 days prior to the hearing, the National Appeals Division must provide the appellant, the authorized representative, and the Agency a notice of hearing specifying the date, time, and place of the hearing. The hearing will be held in the appellant's state of residence, as determined by the Administrative Judge, or at a location that is otherwise convenient to the appellant, the Agency, and NAD. A notice will be issued to include information informing all parties of the right to obtain an official record of the hearing.

A. Pre-Hearing Conference

Whenever appropriate, the Administrative Judge shall hold a pre-hearing conference in order to attempt to resolve the dispute or to narrow the issues involved. A pre-hearing conference shall be held by telephone unless the Administrative Judge and all parties agree to hold such conference in person.

B. Post-Hearing Procedure

The Administrative Judge will leave the hearing record open for 10 days after the hearing, to allow the submission of information by the appellant or the Agency. The Agency representative is responsible to respond to new facts, information, arguments, or evidence presented or raised at the hearing. Any new information will be added to the hearing record and sent to all parties by the submitter of the information.

C. Timing of Issuance of Determination

The Administrative Judge will issue a notice of the determination of the appeal to the appellant, the authorized representative, and the Agency not later than 30 days after a hearing or the closing date of the hearing record in cases in which the Administrative Judge receives additional evidence from the Agency or appellant after a hearing. In the case of a record review, the Administrative Judge will issue a notice of determination within 45 days of receipt of the appellant's request for a record review.

D. Requests for a Director Review

The Agency Representative is responsible for filing a request for a Directors review on reversed Agency decisions that have merit and are not favorable to the Agency. The Single-Family Housing Administrator or a person acting in such capacity can submit a written request for a Directors review to NAD within 15 days after receipt of Administrative Judge's decision. The request should include specific reasons why the Agency believes the determination is inaccurate, including citations of statutes or regulations that the Agency believes the determination violates. In consideration of the limited timeframe, the Agency Representative should send a request immediately to the ADR Coordinator, which will be forwarded to the Single Family Housing Direct Loan Division Headquarters Office for the Administrator's signature.

The appellant can submit a written request for a Director review within 30 days after receipt of Administrative Judge's decision. The Director will review the Administrative Judge's decision to determine if the appellant is entitled. The request should include specific reasons why the appellant believes the determination is inaccurate.

1.12 NAD Hearing Preparation

A copy of a request for a Director review will be provided simultaneously by the submitter to all parties involved. The Director will determine whether the decision of the Administrative Judge is supported by substantial evidence. Based on such review, the Director will issue a final determination notice that upholds, reverses, or modifies the determination of the Administrative Judge. The Agency shall implement the final determination no later than 30 days after the effective date of the notice of the final determination.

Reconsideration of a determination of the Director may be requested by the appellant or the Agency within 10 days of receipt of the determination.

1.13 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. State Office, NFAOC, and National Office employee relationships are reviewed by the State Director who will obtain the Administrator's written concurrence for application processing. 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 associates 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. Applicant Disclosure

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

B. Agency Employee Disclosure

Agency employees must disclose any known relationship or association with a recipient, regardless of whether the relationship is known to others. Loan Originators should notify a supervisor after the application is accepted but before any eligibility determination is made.

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.

1.14 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. Both the Loan Originator and the Loan Approval Official are responsible for effectively integrating Agency environmental policies and procedures with loan and grant origination and servicing activities. Agency environmental policies and procedures and historic preservation requirements can be found in RD Instruction 1970 series "Environmental". 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 appropriate State Environmental Coordinator and, if necessary, National Office environmental staff.

For existing housing, a categorical exclusion may be completed if no resources are adversely affected; the property is not in a historic district, is not classified as a historic property, or is not considered culturally significant; and there is no flood disturbance. For new construction, the same level of review is required. In addition, any time ground is being broken, there is a potential to uncover historic resources, therefore additional consultation with the State Historic Preservation Officer (SHPO) and, as applicable, the Tribal Historic Preservation Officer (THPO) may be necessary. In states where a programmatic agreement exists between the SHPO and THPO, consultation may only be necessary with one party.

New construction projects must also consider the effect of cumulative impact. This occurs when a project may develop over time and impact a larger number of prospective applicants or acreage. Many times, Rural Development funds are not used to purchase the land, but the scope of the project includes Rural Development financing for the purchase of the developed lots. In accordance with 7 CFR Part 1970, §1970.5(a)(4), "The Agency may act as either a lead Agency or a cooperating Agency in the preparation of an environmental review document. If the Agency acts as a cooperating Agency, the Agency will fulfill the cooperating Agency responsibilities outlined in 40 CFR § 1501.6.

As an example, when funding is obtained for a multiple unit project, and the development work is provided by another Agency (often HUD), that Agency will take the lead to prepare the environmental review, but Rural Development will be a cooperating Agency so that the review for both programs' requirements are satisfied in the initial environmental analysis.

Paragraph 1.14 Other Federal Requirements

Example: A Self Help group is proposing to build 8 homes. They obtain Self Help Opportunity Program (SHOP) funds from Housing and Urban Development (HUD) to purchase and develop the site. Prior to funding approval, HUD must complete an environmental analysis. Because the scope of the project includes future Rural Development (RD) funding, the Self Help group must notify HUD of Rural Development's involvement, and request that RD be considered a cooperating agency so that the review can be completed and accepted by both agencies prior to the start of development activities.

In addition, in accordance with RD Instruction 1970-B, Exhibit C, no construction activities may begin until the Agency completes its environmental review process.

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 NFAOC 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.

1.15 EXCEPTION AUTHORITY [7 CFR 3550.8]

Exceptions to any requirement of this handbook or 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.

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

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.

ATTACHMENT 1-A

INFORMAL ADMINISTRATIVE REVIEW DETERMINATION

(DATE)

We appreciated the opportunity to review the facts relative to your [request for assistance, or reduction or termination of benefits, or foreclosure]. We regret the outcome 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 continue to pursue the option(s) listed in the attached adverse decision letter. All of the option(s) must be requested within 30 days from the receipt of the adverse decision letter. Your requests can be submitted simultaneously; however; should be performed in the order listed in the attachment. If an applicant/borrower chooses to skip any of the options, doing so will waive their right to the previous option.

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 creditor 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 (adverse decision letter)

Copies for: State and/or National Office Program Director
NFAOC for SFH servicing cases

ATTACHMENT 1-B

AN APPEALABLE ADVERSE DECISION

(DATE)

The described action 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 below. All three options may be requested simultaneously and must be requested in writing within **30 days** from the date adverse decision letter is received. If all options are requested and a resolution is reached the next available option can be canceled; however, if an option is skipped, you will automatically waive the right to the previous option.

Option 1 - Request an Informal Administrative Review

You may request an Agency official review of this determination by filing a written request no later than 30 days after you receive this notice. If you request a review reconsideration, you have the right to an informal hearing which you or your representative may attend either personally or by telephone. If you choose to seek reconsideration, you may later appeal the determination to the National Appeals Division. To request reconsideration, write to the following address and explain why you believe this determination is erroneous. The address of the Field Office:
(Insert applicable address.)

Option 2 - Request Mediation (Alternative Dispute Resolution)

Mediation is available as part of Rural Development's informal appeal process. Mediation may enable us to narrow the issues and resolve the matter by mutual agreement. If your state does not have a participating USDA-funded mediation program, you may have to pay all or part of the cost of mediation. If you request mediation, the continuation of the time frame in which you may request an appeal stops. When mediation closes, the clock restarts, and you will have the balance of the days remaining in that period to request an appeal. To request mediation, you must submit your written request no later than 30 days after you receive this notice. To request mediation, write to the RD State Director at the following address:

- *(Insert applicable address.)*[Rural Development State Director]

Option 3 - Request an Appeal Hearing to the National Appeals Division (NAD)

You may appeal this determination to NAD by filing a written request no later than 30 days after you receive this notice in accordance with the NAD Appeal procedures found at [7 CFR Part 11](#). If you appeal to NAD, you have the right to a hearing which you or your representative may attend. Once a hearing with NAD begins, you waive any rights you might have to reconsideration and mediation. To appeal, you must write to NAD at the following address, explain why you believe this determination is erroneous, and provide a copy to RD. You must personally sign your written appeal to NAD and include a copy of this letter or file an appeal online at the following website: <https://www.nad.usda.gov/content/file-appeal>

[NAD Assistant Director Address] [Rural Development State Director]

If you do not timely exercise one of the preceding options, this shall be the final administrative determination with respect to this matter in accordance with the regulations at [7 CFR Part 11](#).

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 creditor 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 (adverse decision letter)

Copies for: State and/or National Office Program Director

NFAOC for SFH servicing cases

ATTACHMENT 1-C

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 believe that this decision is erroneous, you have the following options.

Option 1 - Request an Informal Administrative Review

You may request an Agency official review this determination by filing a written request no later than 30 days after you receive this notice. If you request reconsideration, you have the right to an informal hearing which you or your representative may attend either personally or by telephone. If you choose to seek reconsideration, you may later appeal the determination to the National Appeals Division. To request reconsideration, submit a written request at the following address and explain why you believe this determination is erroneous. The address of the Field Office: *(Insert applicable address.)*

Option 2 - Request an Appeal Hearing to the National Appeals Division (NAD)

You may request an appeal for the review of accuracy of our findings to NAD by filing a written request no later than 30 days after you receive this notice in accordance with the NAD Appeal procedures found at [7 CFR Part 11](#). If you appeal to NAD, you have the right to a hearing which you or your representative may attend. Once a hearing with NAD begins, you waive any rights you might have to reconsideration and mediation. To appeal, you must write to NAD at the following address, explain why you believe this determination is erroneous, and provide a copy to RD. You must personally sign your written appeal to NAD and include a copy of this letter or file an appeal online at the following website <https://www.nad.usda.gov/content/file-appeal>:

[NAD Assistant Director Address] [Rural Development State Director]

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 creditor 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 (adverse decision letter)

Copies for: State and/or National Office Program Director
NFAOC for SFH servicing cases

ATTACHMENT 1-D

**NOTIFICATION TO APPLICANTS OR BORROWERS OF THE
ASSIGNMENT OF THEIR CASE TO A MEDIATION SERVICE
PROVIDER**

DATE:

TO: [Applicant/Borrower]

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 or Other Mediation Service Provider
[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.

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 creditor 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.

Copies for: State and/or National Office Program Director

NFAOC for SFH servicing cases

State ADR Coordinator

ATTACHMENT 1-E

REQUEST A MEDIATION SERVICE PROVIDER

DATE:

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: program, individual, address phone and email]

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] **Jurisdiction of case:**

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.

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 creditor 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.

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

Copies for: State and/or National Office Program Director
NFAOC for SFH servicing cases
State ADR Coordinator

ATTACHMENT 1-F

**NOTIFICATION OF EXPIRATION FOR THE SELECTION OF A
MEDIATION SERVICE PROVIDER**

DATE:

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 Administrative Judge will contact you regarding a time and place for the hearing.

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 creditor 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.

Attachments (2)

Copies for: State and/or National Office Program Director
NFAOC for SFH servicing cases
State ADR Coordinator

ATTACHMENT 1-G

CUSTOMER NOTIFICATION OF UNRESOLVED RESOLUTION

DATE:

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 Administrative Judge 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 Administrative Judge make a decision without a hearing.

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 creditor 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.

Copies for: State and/or National Office Program Director
NFAOC for SFH servicing cases
State ADR Coordinator
