

PART 1951 - SERVICING AND COLLECTIONS

Subpart B - Collections

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PART 1951 - SERVICING AND COLLECTIONS

Subpart B - Collections

§ 1951.51 Purpose.

This Subpart prescribes the policies and procedures used by Rural Development for collecting loan program related payments through the Wholesale Lockbox (WLB), Direct Payment Lockbox (DPL), Preauthorized Debits (PAD), Customer Initiated Payments (CIP), FedWire, and Remittance Express (REX). Reference Exhibit A for the collection method(s) applicable to each loan program. Direct single family housing remittances will be processed in accordance with the Direct Single Family Housing Programs Field Office Handbook HB-1-3550. Direct multiple family housing remittances will be processed in accordance with 7 CFR part 3560 Subpart I, and the Automated Multi-Housing Accounting System (AMAS) On-line Payment Processing Manual. This subpart is not applicable to direct farm loan program activities administered by the Farm Service Agency (FSA). (Reference FSA policies in the corresponding Handbooks). If a farm loan program collection is received in the field office, submit the payment to the nearest FSA field office. All other program remittances will be processed in accordance with this subpart. (Revised 02-24-05, SPECIAL PN.)

§ 1951.52 Authority.

The provisions of this subpart are applicable to Rural Development employees who are authorized to receive, receipt for, exchange cash collections for money orders or bank drafts, and transmit collections.

§ 1951.53 Responsibility for funds.

(a) Field office employees are responsible for complying with the internal control procedures prescribed on Form RD 1951-44, "Management Control and Review of Field Office Collection Activities," and related Forms Manual Insert (FMI).

(1) Employees are personally accountable for losses occurring while funds are in their custody.

(2) A theft or loss of funds will be reported following the procedures in RD Instruction 2021-A (available in any Agency office).

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(b) The Comptroller General or designee is authorized to grant relief only when a loss occurs without fault or negligence on the part of the employee.

(c) Office supervisors will perform monthly review of collection activities in their offices. The monthly review results will be reported on Form RD 1951-44.

(d) State Directors are responsible for ensuring that the collection activities of each field office are reviewed annually by December 31 of each year. The annual review results will be reported on Form RD 1951-44.

§ 1951.54 Wholesale Lockbox (WLB) procedures.

WLB is for those collections received in field offices that cannot be remitted through PAD, CIP, FedWire, REX, DPL, or Centralized Servicing Center, Cash Management Section. WLB collections received in field offices will be remitted daily along with corresponding accounting documentation to the WLB. The date of credit will be the date the collection item is received by the field office.

(a) Receiving and endorsing collections. Field offices receive payments either through the mail or in person in the form of checks, money orders, cash, and loan and grant fund cancellations. Checks and money orders should be made payable to the Treasurer of the United States; United States Department of Agriculture; Rural Development; Rural Business and Cooperative Service; Rural Utilities Service; or other reasonable variation. WLB collections will be endorsed by the WLB contractor and do not require endorsement by the field office. Reference Exhibit B for special endorsements (e.g., restrictive endorsements; restrictive notations on compromise and adjustment offers, etc.). Field offices will discourage borrowers from making cash payments. However, if cash is received, the employee receiving the cash will prepare Form RD 451-1, "Acknowledgment of Cash Payment," in accordance with the FMI. Forms RD 451-1 must be issued in consecutive order. Cash payments must be converted to a bank draft, cashiers check, or money order made payable to Rural Development. Fees to convert the cash payment will be paid from the cash. The borrower will receive credit for the total cash received before fees are deducted on Form RD 451-2, "Schedule of Remittances."

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(b) Preparing accounting documents for WLB collections.

(1) Field offices will record each payment received on Form RD 1951-49, Register of Collections, in accordance with the FMI. This register represents a daily log of all collections received. (Reference 7 CFR part 3560, Subpart I for multi-family housing (MFH) loan collections). (Revised 02-24-05, SPECIAL PN.)

(2) Except for loan fund cancellations, field offices will prepare Form RD 451-2 in accordance with the FMI.

(3) Treasury checks and electronic fund transfers recovered for canceled or unused loan funds, will be deposited in the WLB. Field offices will prepare Form RD 1940-10, "Cancellation of U.S. Treasury Check and/or Obligation," in accordance with the FMI. (Unused grant funds will be submitted with Form RD 451-2 in accordance with the FMI).

(c) Balancing of collection package. The above referenced accounting documents must be balanced to the funds collected prior to submitting the collections package to the WLB. The collections and accounting documents will be balanced by preparing Form RD 1951-60, "Field Office Remittance Reconciliation Report" (FORRR), in accordance with the FMI. Copies of the checks, money orders, etc., balanced to the accounting documents will be maintained in the files in accordance with § 1951.61 of this subpart.

NOTE: If collections from more than one day must be submitted in the same collection package, combine the payments on only one FORRR. MFH payments received and processed in accordance with 7 CFR part 3560, Subpart I and the AMAS On-line Payment Processing Manual will also be balanced on the FORRR with other non-MFH collections. There must never be more than one FORRR per mailing. (Revised 02-24-05, SPECIAL PN.)

(d) Assembly and mailing of collection package. Paper clip (do not staple) all remittances (checks, money orders, etc.) to the front of the associated accounting documents. **Do not use staples.** Place the transactions and the completed FORRR in a first class envelope and mail the package to the following address. Reference Exhibit A, "Collection Matrix" for mailing address. (Revised 01-27-17, PN 494.)

(e) Refunding WLB collection items. When a check is made payable solely to Rural Development and the amount of the check is greater than that to which Rural Development is entitled, and it is not possible to obtain separate checks, the check will be handled as follows:

(1) The check will be accepted for the full amount and will be included in the collections transmitted.

(2) Form RD 451-2 will be made for the full amount of the check and will contain a notation of the request for refund and the amount thereof. A written request will be obtained from the individual to whom the refund is to be made. The request must contain a description of the remittance from which the refund is requested, including the date, the exact amount, the payee or payees, the drawer, and the name of the bank on which it is drawn. The request must include a factual statement supporting the basis for payment. The request must be signed by the individual to whom the refund is to be made, and must be approved by the Area Director or Local Supervisor indicating that the refund should be made as requested. One copy of the borrower's request for refund will be filed with the Local or Area Office copy of Form RD 451-2. A written request will not be required when the refund is to be made to a borrower whose Rural Development indebtedness has been paid in full, or is being paid in full from the proceeds of the check in connection with which the refund is involved.

(3) The Office of the Deputy Chief Financial Officer (DCFO), Cash Management Branch (CMB) will directly deposit any overpayment refund into the borrower's bank of choice after verifying with the servicing office the amount of refund and ensuring that the borrower has been established to receive a refund in the Electronic Funds Transfer (EFT) Info Database.

(f) Lost or mutilated remittance items. When a wholesale lockbox collection item becomes lost or mutilated, the servicing office will contact the DCFO, CMB for instructions on how to handle.

§ 1951.55 Direct Payment Lockbox (DPL) procedures.

The DPL payment method is for borrowers with loan types listed in Exhibit A who remit their regular payments using Forms RD 370-46B, "Payment Coupons," directly to the DPL. Borrowers with the loan types listed in Exhibit A will be automatically placed on DPL. The DCFO will automatically prepare and mail coupon packages to the servicing field office for new loan obligations, assumptions, credit sales, and changes in case and loan number. The DCFO will also send new coupon packages when the tenth coupon and collection is received and processed. The coupon package will consist of twelve consecutively numbered Forms RD 370-46B.

(a) Borrower direct payment to the lockbox. The servicing field office will furnish the coupon package to the borrower. Field offices will instruct borrowers to make their remittance payable to Rural Development and mail their payment to the preprinted lockbox address on the Form RD 370-46B. The borrower will receive credit for the payment on the date received by the lockbox.

(b) Borrower direct payment to the field office. In some cases, to service delinquent or problem accounts, field offices may elect to keep the coupon packages in the field office and have the borrower remit payments to the field office. Borrower payments received in the field office will be recorded on Form RD 1951-49. The borrower will receive the credit for the payment on the date received by the field office. The field office will enter the date of credit in the box labeled "FOR OFFICIAL USE ONLY" on Form RD 370-46B. All remittances and related Forms RD 370-46B must be sent to the DPL on the date received by the field office.

(c) Other than regular payments. Collections from borrowers who are on DPL that are other than regular scheduled payments (e.g., final payments, compromise offers, fees, etc.) will be handled as WLB payments in accordance with § 1951.54 of this subpart.

§ 1951.56 Uncollectable WLB and DPL items.

The WLB and DPL contractors will forward any uncollectable items to the DCFO. The DCFO will initiate a transaction to reverse the payment from the borrower's account. The DCFO will also forward the returned uncollectable item to the servicing field office with a copy of the collection reversal transaction document (Form RD 363-25A, "Journal Voucher for Reversal of Payments"). The servicing field office will attempt to immediately collect the returned item. If immediate collection is not possible, and the uncollectable item represents proceeds from the sale of mortgaged property or acquired security property, the field office will submit a report to the State Office with recommendations regarding recovery of the property or other appropriate actions. Uncollectable items will be held by the field office until fully redeemed.

§ 1951.57 Preauthorized Debits (PAD) method.

PAD payments are borrower authorized transactions that allow the DCFO to electronically collect regular loan payments from a borrower's account at a financial institution (FI). PAD is an alternative loan payment method for those loan programs listed in Exhibit A.

(a) Enrollment in PAD. The borrower participates in PAD by completing Form RD 3550-28, "Authorization Agreement for Preauthorized Payments." A separate Form RD 3550-28 is required for each individual borrower loan account for which PAD is authorized. The borrower returns the completed Form RD 3550-28 to the servicing field office who reviews the form for accuracy and completeness. The field office retains the original Form RD 3550-28 and sends a copy to the DCFO.

(b) DCFO processing of PAD agreement. Upon receipt of the Form RD 3550-28 the DCFO updates the agreement to an automated PAD system. At least 10 days prior to a live PAD transaction, the DCFO initiates a zero dollar pre-notification. This pre-notification is an automated clearing house (ACH) collection instruction that notifies the borrower's FI that the borrower has entered into a PAD agreement with Rural Development. The pre-notification also verifies the accuracy of the PAD information (e.g., bank routing, account number, etc.). Any errors must be corrected prior to the live PAD transaction.

§ 1951.57 (Con.)

(c) Processing of PAD transactions. For each installment due date, the DCFO initiates a PAD electronic payment file which is converted by Treasury to an ACH file for withdrawal of payments from individual borrower FI accounts. PAD collections are electronically transferred from the borrower's account and credited to Rural Development's Treasury account. Simultaneous with initiating the PAD electronic payment file, the automated PAD system generates a transaction to credit the borrower's loan account with the payment. The borrower receives credit for the payment on the date the PAD transaction is initiated (the installment due date). The borrower's FI mails an account statement to the borrower which reflects the PAD transaction. The statement is the borrower's payment receipt.

(d) Returned item procedure (Uncollectable). When the FI cannot post the PAD transaction to the designated borrower's account, the FI is instructed to return (or reject) the transaction. The PAD transaction may not be processed by a receiving FI for a variety of reasons, such as insufficient funds, account closed, invalid account number, or payment stopped. The DCFO will be notified of validated return entries by the Automated ACH Return Item Report issued by the Kansas City Federal Reserve Bank. The DCFO compares the Return Item Report to the Form RD 3550-28 on file for accuracy and completeness. The automated PAD system generates a transaction to record the uncollectable item and reverse the payment from the borrower's loan account. The DCFO will send a letter notifying the servicing field office and the borrower of the amount and reason for return. The DCFO will contact the servicing office to determine how the returned item will be collected.

(e) Cancellation of PAD account. PAD accounts may be canceled by the borrower or the DCFO.

(1) Borrower initiated cancellation. Borrowers may request PAD account cancellations by contacting their servicing field office and/or bank. The field office will notify the DCFO of the cancellation by phone and follow with written cancellation confirmation. The DCFO updates the automated PAD system to reflect the cancellation and preclude future PAD transactions. The DCFO confirms the cancellation in writing to the borrower.

(2) Cancellations initiated by Rural Development. The DCFO will notify the servicing office when there are excessive return items for insufficient funds. The servicing office may notify the DCFO to cancel the PAD agreements for excessive failure for insufficient funds. When the PAD account is terminated, the DCFO notifies the servicing office by phone and provides a written confirmation. The DCFO updates the automated PAD system to reflect the cancellation and precludes future PAD transactions. The DCFO confirms the cancellation in writing to the borrower.

§ 1951.58 Customer Initiated Payments (CIP) method.

CIP is an electronic collection method (for the loan types listed in Exhibit A) that enables borrowers to input payment data to a contract bank via telephone (touch tone and voice) or computer terminal.

Borrowers using the CIP method will receive a monthly or quarterly billing statement. When the borrower initiates the CIP, the loan payment is electronically transferred from the borrower's designated FI account and credited to Rural Development's Treasury account.

(a) Enrollment in CIP. The servicing office will furnish the borrower with Form RD 1951-65, "Customer Initiated Payments (CIP)," to enroll in CIP. The borrower will complete and return Form RD 1951-65 and a copy of a canceled check or deposit ticket containing their FI account routing information to the servicing office. The servicing office will send the Form RD 1951-65 and copy of canceled check or deposit ticket to the DCFO and retain a copy for their files.

(b) Processing of the CIP agreement. The DCFO will send Form RD 1951-65 and canceled check or deposit ticket to the CIP contract bank. The CIP contract bank will establish the CIP account. The CIP contract bank will send the borrower a confirmation that the CIP account is established; a personal identification number (PIN); and instructions for accessing and initiating a CIP transaction via telephone (touch-tone or voice) and computer. The DCFO will also furnish the borrower with the CIP contract bank telephone touch-tone, voice, and computer screen dialogs.

§ 1951.58 (Con.)

(c) Initiating and processing CIP transactions. At least 1 day prior to the installment due date the borrower may call the CIP contract bank using the toll free telephone number or access the CIP computer screens. The borrower enters the CIP transaction data following the telephone or computer screen prompts or dialogs. The contract bank warehouses the CIP transaction until the installment due date entered by the borrower during the interactive CIP dialog. On the installment due date, the contract bank electronically transfers the payment from the borrower's FI account and credits Rural Development's Treasury account. The contract bank also creates an electronic payment file containing detailed borrower collection data for transmission to the DCFO. Upon receipt of the electronic payment file transmission, the DCFO updates and credits the borrower account for the payment. The borrower receives credit for payment on the date the contract bank transfers the installment from the borrower's FI. The borrower's FI mails an account statement to the borrower which reflects the CIP transaction. The statement is the borrower's payment receipt.

(d) Returned item procedure (Uncollectable). If the CIP transaction is returned as uncollectable (insufficient funds, incorrect account code, closed bank account, etc.), the CIP contractor bank will notify the DCFO through the Federal Reserve Bank. The DCFO will initiate a transaction to reverse the payment from the borrower's account and notify the borrower of the returned item. The DCFO is responsible for the resolution of all returned items. The DCFO will notify the servicing office when there are excessive return items for insufficient funds for appropriate servicing actions.

(e) Cancellation of CIP account. CIP accounts may be canceled by the borrower sending a cancellation letter to the servicing office. The servicing office will send the request to the DCFO. The DCFO will prepare a CIP Masterfile Data Sheet and send the sheet to the CIP contractor bank. The CIP contractor will cancel the CIP account. The DCFO will notify the borrower and servicing office in writing of the canceled CIP account.

§ 1951.59 FedWire transfer method.

FedWire is an electronic collection method (for loan types listed in Exhibit A) that enables borrowers to contact their FI and have loan payment(s) electronically transferred from their FI account for credit to the Rural Development Treasury account. FedWire payments are guaranteed by the borrower's FI and no returned items can occur. Only electric and telephone loan borrowers (to include Distance Learning and Telemedicine loans) are

authorized to make recurring loan payments via FedWire. Water and Wastewater, Business and Industry, and Community Facility borrowers are only authorized to make nonrecurring FedWire payments (e.g., final payments, graduation, etc.).

NOTE: CIP is preferred over FedWire for recurring payments. Specifically, there is no charge to the borrower to use CIP whereas FI's charge a fee for FedWires. CIP has a standardized message format which allows for timely and accurate payment credit to borrower accounts. FedWire has a nonstandard message format which can cause difficulty and delays in applying payments to borrower accounts.

(a) Recurring FedWire Payments.

(1) Enrollment in FedWire. The borrower is responsible for setting up the FedWire agreement with their FI. The DCFO CMB, will furnish existing borrowers with instructions and Form RD 1951-66, "FedWire Worksheet," for establishing the FedWire format. When the borrower initiates a FedWire through their FI, the payment data is electronically transmitted to Rural Development's Treasury account.

(2) Initiating and processing FedWire transactions. Borrowers using the Fedwire method will receive a billing statement. No later than the installment due date shown on the billing statement, the borrower will notify their FI to initiate a FedWire transfer. Depending on the agreement between the borrower and the FI, the borrower may initiate the request by furnishing their FI with a completed Form RD 1951-66. Otherwise, the FI may establish a standard recurring transmission format (containing the information on Form RD 1951-66 whereby the borrower only needs to notify the FI of the amount and date of the electronic payment, and the distribution of the payment between loan programs (if a combined payment is made). The borrower's FI initiates the electronic payment on the date specified by the borrower and funds are transferred to Rural Development's Treasury account. The borrower receives credit for payment on the date the payment is received in Rural Development's Treasury account. Treasury must receive the payment no later than 5:00 p.m. E.S.T. for the borrower to receive payment credit on that day. The borrower's FI furnishes an account statement to the borrower which reflects the FedWire transfer.

§ 1951.59 (Con.)

(b) Nonrecurring FedWire payments. Nonrecurring FedWire payments must be coordinated among the borrower, the Rural Development servicing office, and the DCFO as follows:

- (1) The servicing office will notify the DCFO, CMB at (314) 457-4021 prior to the wire transfer. CMB will provide the field office with wire transfer instructions.
- (2) The borrower will provide their FI with the FedWire transfer instructions provided by the DCFO and inform the FI of the amount and date of the transfer. The servicing office will notify the DCFO, CMB of the date and amount of transfer.
- (3) CMB will monitor the wire transfer through Treasury reporting systems and fax a confirmation message to the servicing office after the funds are successfully transferred.
- (4) The servicing office will prepare Form RD 451-2 in accordance with the FMI and fax the schedule to the CMB (FAX# 314 457-4021). The DCFO will credit the payment to the borrower's account.

(c) Cancellation of FedWire payment method. Borrowers may cancel the FedWire payment method through their FI. Borrowers may select an alternative method as authorized in Exhibit A by contacting their servicing office.

§ 1951.60 Remittance Express (REX) method.

REX is an optional electronic automated clearing house payment method available for all loan types listed in Exhibit A. REX enables borrowers to contact their FI and have loan payment(s) electronically transferred from their FI account for credit to the Rural Development Treasury account.

(a) Enrollment in REX. The borrower is responsible for setting up the REX agreement with their FI. When a borrower elects to use REX as their payment method, the servicing office will instruct the borrower to contact the DCFO CMB at (314) 457-4021 for information on how to set up the electronic format with their FI. CMB will provide the borrower with information they will need to furnish their FI for proper bank routing and identification of the REX payment.

(b) Initiating and processing REX transactions. Borrowers using the REX method will instruct their FI to initiate a REX transaction no later than one day prior to the installment due date. The FI initiates the electronic payment on the date specified by the borrower and the funds are transferred to Rural Development's Treasury account the following work day. The borrower receives credit for payment on the date the payment is received in Rural Development's Treasury account.

(c) Returned item procedure (Uncollectable). Returned items (insufficient funds, incorrect account code, closed bank account, etc.) under the REX payment method are unlikely. However, if there are any returned items, the DCFO will initiate a transaction to reverse the payment from the borrower's account and notify the borrower and the servicing office of the returned item for resolution.

(d) Cancellation of REX payment method. Borrowers may cancel the REX payment method through their FI. Borrowers may select an alternative method as authorized in Exhibit A by contacting their servicing office.

§ 1951.61 Files to be maintained.

(a) Establishing files. Each field office will establish the following files:

(1) 1951-General Collection Information, FY___. This file will contain all materials from training meetings, copies of correspondence to and from other Rural Development offices, and other material of a general nature. This file will be retained for 3 FYs after the end of the FY created.

(2) 1951-Collections: This file may be maintained monthly, quarterly, or annually depending on the volume of collection activity in the field office. This file will contain copies of:

(i) Forms RD 451-2, 1951-49, 3550-17, Funds Transmittal Report, and 3550-27, Substitute Payment Coupon; 1940-10, 1951-60, two adding machine tapes (one of cash and collection items, i.e., cash, checks, money orders, etc., and one of collection forms and payment coupons), copies of checks and money orders, and any other material necessary to reconstruct any day's collection activities. For MFH collections, the Batch Entry System Menu (BESM), AMAS Call Date Recap Detail Report, and any other accounting documents (e.g., Form RD 3560-53, "Multi Family Housing Cancellation of U.S. Treasury Check and/or Obligation" should be contained in this file. (Revised 02-07-08, PN 418.)

§ 1951.61(a)(2) (Con.)

(ii) Forms RD 1951-44, which document the results of monthly office supervisor reviews.

(iii) Documents supporting receipts forwarded to FSA, or any other collection system. This file will be retained for 5 FYs after the end of FY.

(b) Filing position for Operational File 1951, Collections. Each State will issue instructions to their field offices on the filing position for the above referenced collection documents. State instructions must be written in a manner that the filing positions provide for easy reconstruction of any day's collection activities, and facilitate the monthly and annual review of field office collection activities as prescribed by Form RD 1951-44 and related FMI.

§§ 1951.62 - 1951.100 [Reserved]

Attachments: Exhibits A and B

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COLLECTION MATRIX

The Collection Matrix contains the preferred methods of collections for the various RD programs.

The Collection Matrix is located at the bottom of the NFAOC SharePoint site under "Reference Documents for RD Collections" (https://ems-team.usda.gov/sites/RD_CFO/nfaoc/SitePages/Home.aspx).

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RHLB--Rural Housing Retail Lockbox (Instructions for submitting payments are contained in RHS HB-1-3550).

RHWLB--Rural Housing Wholesale Lockbox - used for payoff and miscellaneous collection types for the direct Single Family Housing program. (Instructions for submitting payments are contained in RHS HB-1-3550).

REX--Remittance Express

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SPECIAL ENDORSEMENTS

1 Payees.

Checks, money orders, and similar items to be remitted as payments on Rural Development accounts should be made payable to Rural Development, except offers in compromise of judgment accounts referred to in RD Instruction 1956-C, should be made payable to the Treasurer of the United States and transmitted to the State Director for referral to the appropriate United States Attorney through the Office of General Counsel (OGC).

All collection items in any form other than coin and currency will be accepted subject to collection, that is, subject to the items being paid. Any remittance items which currently are not payable will not be accepted for payment on indebtedness due Rural Development. When such items are received, they will be returned immediately to the remitter.

2 Restrictive endorsements and notations on collection items.

Collection items containing restrictive endorsements or notations which will not permit such items to be processed and applied to accounts in accordance with Rural Development Instructions will be returned to the remitter by the Rural Development official receiving such items with a request that such notations be withdrawn. However, items containing restrictive endorsements or notations not affecting the handling thereof, such as "Payment in Full" when the amount thereof does in fact pay the account in full, as provided herein, will be accepted and processed.

Payment offered by borrowers in compromise or adjustment of debts in the form of checks bearing restrictive notations such as "Payment in Full" or "Settlement in Full" may be endorsed provided the borrower has signed Form RD 1956-1, "Application for Settlement of Indebtedness." If a borrower submits a check bearing a restrictive notation or submits an accompanying letter containing restrictive statements and has not signed Form RD 1956-1, the check and letter containing the restrictive statements will be sent to the State Office with an explanation of the circumstances. The State Office will determine how to handle the check. If necessary, OGC can be consulted for advice.

3 Holder or borrower endorsement.

(a) Collection items payable or endorsed to the borrower or to some person or firm other than the Treasurer of the United States should be endorsed by the last holder (usually the borrower) as follows:

Pay to the order of
Rural Development

(Signature of last holder)

(b) If the last holder is unable to sign his or her name, the collection item will be prepared for endorsement by mark and for the signature and address of a witness as illustrated below. Employees may act as witnesses to signatures by mark when other witnesses are not available.

Pay to the order of
Rural Development
His or Her
X Mark

(Name of last holder)

WITNESS: _____

ADDRESS: _____

Note: On checks issued by the Treasurer of the United States, signatures and addresses of two witnesses are required.

4 Endorsement by Rural Development (all proceeds to be remitted).

The DCFO, Rural Development Managers, and Community Development Managers who are authorized to transmit collections are hereby authorized to endorse collection items (including joint checks, the entire proceeds of which are to be transmitted) made payable in the first instance to, or endorsed to the credit of:

- United States of America
- United States Department of Agriculture
- Farmers Home Administration

- Farm Security Administration
- Emergency Crop and Feed Loan Office
- Governor of the Farm Credit Administration
- Regional Agricultural Corporation
- Treasurer of the United States
- Rural Business and Cooperative Service
- Rural Development
- Rural Economic and Community Development
- Rural Utilities Service
- Rural Housing Service
- Centralized Servicing Center
- Any reasonable variation thereof, including acronyms.

Collection items (including joint checks) made payable or endorsed to any of the payees listed above will be endorsed immediately below the endorsement of the last holder, if any. Insert the appropriate payee from those named above. When payee is Rural Development or the Treasurer of the United States, leave blank.

5 Endorsement by Rural Development (joint checks--partial proceeds to be remitted or no proceeds to be remitted).

Rural Development Managers and Community Development Managers may endorse, in the manner prescribed in paragraph (7) of this exhibit, for the purposes outlined in paragraphs (5) (a), (b), (c), (d), (e) or (f) of this exhibit, checks representing proceeds from the sale of mortgaged property or property not now mortgaged to Rural Development because the borrower has paid in full the Rural Development indebtedness secured by such property, checks representing the assignment of income from real estate security, or insurance checks covering losses, made payable jointly to other persons and any entity listed in this exhibit. Rural Development Managers and Community Development Managers may redelegate this authority to employees in their offices, provided they have instructed such employees regarding the manner of determining the

distribution to be made of joint checks and how to make use of available records for this purpose. When this authority has been redelegated to such employees, joint checks representing proceeds of basic security may be endorsed only in the event the Area Director or Local Supervisor (or Assistant Area Director, Area Loan Specialist or Assistant Local Supervisor, if they have been redelegated authority to release) have agreed to the use to be made thereof and such agreement has been documented in the borrower's case file. The endorsement by Rural Development will appear below the endorsement of the third party payee, if any, and the endorsement of the borrower will appear last on the check. Such checks may be endorsed to permit:

- (a) The Government to obtain the amounts from such checks determined to be due the Government.
- (b) The borrower to obtain the amount from such checks that is to be used for approved purposes in accordance with the provisions of Rural Development regulations on releasing security property.
- (c) Third parties to obtain the amounts due such parties as determined by the Rural Development Manager, Community Development Manager, or designee.
- (d) The borrower to obtain the amount of such checks when the Rural Development indebtedness secured by the property involved has been paid in full.
- (e) The borrower to obtain all or a portion of checks representing the assignment of income from real estate security when no depletion of the Government's security is involved.
- (f) The placing of the proceeds of the check in an account pending resolution of a dispute over the proper distribution of the proceeds. The arrangements for such an account will be made at the direction of the OGC.

6 Endorsement by the State Director.

When requests are received in field offices to endorse joint checks not covered by paragraph (5) of this exhibit, but which are made payable to the same payees specified in this exhibit, and only a portion or none of the item is to be remitted, such checks will be forwarded to the State Office with a complete statement of facts, including the borrower's case folder, the purpose for which such checks are drawn, and the amount claimed by the parties having an interest therein. State Directors will determine the interest of the Government, if any, in such joint checks, and are authorized to place the appropriate endorsement thereon as prescribed in paragraph (7) of this exhibit.

(7) Endorsement of joint checks.

Joint checks may be endorsed, under the authority in paragraphs (5) and (6) of this exhibit, only by use of one of the following forms of endorsement.

(a) When part of the proceeds of the check is to be remitted to the Government as a payment, the following endorsement form will be used:

"Endorsed to (Insert name of bank) for issuance of a cashier's check to the order of Rural Development in the amount of (\$_____).

(Insert here appropriate payee from those named in paragraph 4 of this exhibit.)

BY _____

TITLE _____

(b) Checks payable jointly, as described in paragraph 4 of this exhibit, which are received from or on behalf of common borrowers of the Federal Land Bank and Rural Development, may be endorsed in the manner prescribed below, provided the borrower has consented to the division of the proceeds.

"Endorsed to (Insert name of bank) with recourse only as to amounts paid to Rural Development for:

Issuance of a cashier's check to the order of Rural Development in the amount of (\$_____), and issuance of a cashier's check to the order of the Federal Land Bank of (insert name) in the amount of (\$ insert amount).

(Insert appropriate payee from those named in paragraph 4 of this exhibit.)

BY _____

TITLE _____

(c) When no part of the proceeds of a joint check is to be remitted to Rural Development, the following endorsement form will be used:

"Endorsed without recourse:

(Insert appropriate payee from those named in paragraph 4 of this exhibit.)

BY _____

TITLE _____

(d) When joint checks are received that will be used to pay another lender under a subordination agreement, the following endorsement may be used:

"Endorsed without recourse to (insert name of lender) only for payment on subordination dated (insert date) which funds were advanced for (purpose of loan).

(Insert appropriate payee from those named in paragraph 4 of this exhibit.)

BY _____

TITLE _____

(8) Cost of cashier's checks.

The borrower will pay the cost of cashier's checks in the instances prescribed.

(9) Uncollectable joint checks.

When field supervisors receive notice that joint checks endorsed in the manner and under the circumstances specified in this exhibit are uncollectable, they will furnish the DCFO with a full report concerning such transactions and request information regarding proper handling. The report will include the name and address of the FI involved, the amount of the check, the amount remitted to Rural Development as a payment, the name and case number of the borrower concerned, and the serial number of the receipt issued in connection therewith.

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