

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 (CSC) 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. Several graphic tools and conventions have been used to make information easier to find and understand.

Paragraph 1.2 Using This Handbook

A. Handbook Symbols

- **References.** The book symbol directs the reader to additional information sources, such as laws, regulations, or instructions. 
- **State Supplements.** State and local laws and the laws of Federally-recognized tribes may affect how Agency requirements are implemented. Topics commonly affected by such laws include the treatment of liens, construction requirements, and environmental policies. The United States symbol denotes subjects for which further instructions may be issued through State Supplements which will be filed in Appendix 7 or for which individual State laws are likely to be particularly relevant. 
- **Civil rights.** The fair housing symbol highlights processing procedures with significant fair housing or civil rights implications. 
- **Deadlines.** Time frames for completing required actions are underlined to make them easier to locate, for example: “within 7 days.” Unless the text specifies business days, all references to days are in terms of calendar days.
- **Documentation.** The notepad symbol highlights key activities or information that must be carefully documented. 

B. Citations and Text Boxes

- **Regulatory citations.** The regulation for the direct single family housing program is provided in 7 CFR Part 3550. The text of that regulation is provided in Appendix 1.
- **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.
- **Helpful hints.** Helpful hints, cautions or important facts are included in boxes throughout the text and shown with the string around the finger symbol. 

Examples and exhibits. Text boxes labeled as examples or exhibits provide a specific illustration of a concept described in the text or provide additional detailed information. 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.

C. 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.

D. Terminology

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

- **Agency.** The term “Agency” is used throughout this handbook to refer to the organizational unit within the United States Department of Agriculture (USDA) that is responsible for administration of the direct single family housing program.
- **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.
- **CSC 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 15.

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.

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 can not 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 CSC, located in St. Louis, Missouri. CSC handles payments from the borrower, maintains escrow accounts for taxes and insurance, and provides counseling to past-due borrowers. When necessary, CSC 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 8 provides information on the Section 306C WWD program.

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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]

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



A. Informing Program Participants of Their Rights

Whenever an Agency official makes a decision that will adversely affect a program participant, the official must inform the participant in writing that an informal administrative review with the person who made the decision may be requested. If the decision is appealable, the participant will also be informed of their rights to seek mediation as a form of Alternative Dispute Resolution (ADR) and to request a hearing with NAD. Mediation is the only form of ADR funded in part by Rural Development. Mediation is one of three methods available for resolving disputes with program participants. The other two are administrative/informal review with the decision maker and administrative appeal to NAD. Attachment 1-B is used for this purpose. If the decision cannot be appealed, the participant will be informed of their rights to have NAD review the accuracy of the Agency's finding that the decision cannot be appealed. Mediation rights are not provided on decisions which cannot be appealed. Attachment 1-C is used for this purpose.

Exhibit 1-2
Sample Adverse Decision Letter

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

Re: Application for \$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:

1. Your income exceeds the maximum income to qualify for our direct single family housing program. 7 CFR 3550.53(a) requires that an applicant's income must not exceed the applicable low-income limit for the area. In Any County, the maximum income limit is \$39,500. According to income reported on your application and verified using paystubs and tax returns, your income was calculated at \$42,250. Unfortunately, this income exceeds the applicable limits. At the time of your loan interview, Mr. Doe indicated that he worked substantial overtime last year, and did not anticipate overtime income for this year. According to a verification of employment, overtime income has recently been earned this year, and your employer anticipates that you will earn at least the same amount of overtime this year as you have earned in the past. Overtime income must be considered if it is reasonable to anticipate it will continue. We reverified with your employer that, because of recent workforce changes, overtime will continue this year in an amount at least equal to last year. This was further confirmed by copies of paystubs which you recently submitted to this office for review.
2. Your credit history was not acceptable. 7 CFR 3550.53(h) requires that an applicant must have an acceptable credit history to obtain program assistance. The regulation provides, in part, that a delinquency on any debt owed to the Federal Government is an indicator of unacceptable credit. Your credit report reflected that you are in default on your student loan which is guaranteed by the Federal Government.

If one of the above reasons included an unacceptable credit history, please note that a tri-merge credit report on you was obtained from Equifax Mortgage Solutions, 815 East Gate, Suite 102, Mount Laurel, NJ 08054; telephone (800) 333-0037. 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,

Paragraph 1.9 Review and Appeals [7 CFR 3550.4]

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

B. Adverse Decisions That Cannot Be Appealed

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

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

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

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

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

C. Informal Administrative Review

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



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

D. Mediation

Adverse decisions which are appealable to NAD also require that the participant be given the opportunity to seek mediation prior to having a hearing with NAD. The purpose of mediation is to resolve disputes through the use of a neutral mediator. State Directors may wish to consider issuing a State Supplement, to be included in Appendix 7, outlining the coordination required between the Field Office and State Office on handling mediation requests.

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

1. Requests for Mediation

After receiving Attachment 1-B or 1-D, a program participant may request mediation services. Upon receipt of the program participant's request for mediation, Attachment 1-E is sent to the participant to start the process. The Attachment is generally sent by the State Director since costs are involved; however, they can be sent directly by the Field Office at the discretion of the State Director.

2. Cost of Mediation

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

3. Mediation in States with a 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). If you are unsure if a USDA mediation program exists in your State, you should contact your State Director. In States with a USDA-funded mediation program, program participants who are provided appeal rights will be generally referred to the USDA-funded mediation program. Attachment 1-E may be sent to the program participant to acknowledge their request, and Attachment 1-F may be used to refer the case to the mediation service provider. In States where alternative mediation sources are readily available at a lower cost than the USDA-funded mediation program, the State will follow the guidance for States with a Community-Based Mediation Center (CBMC) or States without a USDA-funded mediation program, and include the USDA mediation program on the list of acceptable providers.

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

A 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 State mediation program, the CBMC is an option. Customers with appeal rights who request mediation can be referred to the CBMC. The State ADR Coordinator should establish a source/vendor list of CBMCs. The list should include the director, contact information and cost.

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

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

Paragraph 1.9 Review and Appeals [7 CFR 3550.4]

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

6. Timing of mediation

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

Mediation occurs prior to having a hearing with NAD. Requests for mediation made prior to filing an appeal with NAD stop the clock on the 30-day period during which a participant may appeal to NAD. After mediation has concluded, any days that remain from the 30-day period are available to the participant to request an appeal to NAD. Attachment 1-H is used for this purpose. The person completing Attachment 1-H will need to determine the number of days the participant took to request mediation. Hearing

dates for participants who request mediation after filing an appeal must be selected with 45 days of the conclusion of mediation. Participants may also request mediation after filing an appeal with NAD but prior to the hearing.

7. Mediation on cases involving CSC

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

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

E. Appeal

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

Upon receiving a notice from NAD that an appeal has been filed, the Field Office will promptly provide NAD with a copy of the Agency record, specific references in 7 CFR Part 3550 to support the decision, and any other pertinent information. A copy will also be provided to the program participant.

In accordance with NAD regulations, the program participant has the right to a face-to-face hearing in the participant's State of residence. The program participant also has the right to request that the hearing be handled by teleconference. An adverse decision made by CSC may result in an appeal hearing and require a face-to-face hearing. In these cases, the CSC Appeal Coordinator may request the State Director to provide Field Staff to attend the hearing and represent CSC. The CSC Appeals Coordinator will provide sufficient documentation and phone resources to the person selected by the State Director to adequately represent the Agency in the case.

NAD will notify the participant and the Agency once it has made a final determination. If NAD reverses the Agency's decision, the next loan processing action that would have occurred

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had no adverse decision been made must be taken within 30 days after the effective date of the notice from NAD; unless the Agency requests a review of the case by the Director of NAD. See 7 CFR Part 11 (Appendix 4) for more guidance on Director Reviews and other information regarding appeals.

1.10 CONFLICT OF INTEREST [7 CFR 3550.9]

All employees must strive to maintain the highest levels of honesty, integrity, and impartiality in conducting their activities on behalf of the Agency. The Agency's requirements for handling assistance to employees, relatives and associates are described in RD Instruction 1900-D. State Office, CSC, 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.

1.11 OTHER FEDERAL REQUIREMENTS

A. Environmental Requirements [7 CFR 3550.5]

The Agency considers environmental quality equally with economic, social and other factors in its program development and decision-making processes. 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 1.11 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 CSC using Form RD 3550-17, Fund Transmittal Report. If a borrower did not receive a billing statement, Field Staff can submit the payment using Form RD 3550-27, Substitute Payment Coupon.

1.12 EXCEPTION AUTHORITY [7 CFR 3550.8]

Exceptions to any requirement of 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, CSC; 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

EQUAL CREDIT OPPORTUNITY ACT

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this 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 1-B

ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF AN APPEALABLE ADVERSE DECISION

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:

Option 1 - Request an Informal Administrative Review

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

Option 2 - Request Mediation

You have the right to request mediation. The purpose of mediation is to resolve disputes through the use of a certified, neutral mediator. In most cases, the mediator is not a Federal Government employee. A mediator will listen to all parties involved in the dispute and work with all parties to achieve a mutually agreeable resolution. Many cases that go to mediation are resolved without further action, extended delays, or the cost of formal litigation. You have 30 days to request mediation, 10 days to select a mediator, and then 45 days to complete mediation. If you need more information on the mediation process to assist you in deciding whether to use this Option 2, contact the Rural Development State Director listed below.

{Rural Development State Director}

There may be a cost for mediation. If so it is Rural Development policy to pay 50 percent of the reasonable cost for mediation. When there is a cost, it is your responsibility to pay the other 50

percent. Every effort, however, is made to keep any cost to a minimum, and in some cases, the mediator will waive the customer's 50 percent share.

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

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

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

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

Once you have been referred to a mediator, you have **45 days to complete the mediation**. The Agency can agree to an extension. If mediation does not result in resolution of these issues, you have the right to continue with a request for an appeal hearing as set forth in Option 3.

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

Mediation does not take the place of, or limit your right to, an appeal to the National Appeals Division (NAD) of the U.S. Department of Agriculture; however, a NAD appeal hearing would take place only after mediation. You may skip mediation and request an appeal hearing. However, in doing so, you will automatically waive your right to an informal meeting. Once the appeal hearing begins, you also waive your right to mediation.

Option 3 - Request an Appeal Hearing

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

[NAD Assistant Director Address]

Your request must state the reasons why you believe the decision is wrong, be personally signed by you, and must include a copy of the attached letter. A copy of your request must also be sent to the Rural Development State Director at:

[Rural Development State Director Address]

You may alternatively select to file your appeal electronically through the NAD web site. You can set up a NAD efile account and then follow the prompts to request an appeal electronically. Your request for an appeal must be made no later than 30 days from the date you received the attached letter. To file an appeal online go to the following internet address:

http://www.nad.usda.gov/app_appeal.html

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

Equal Credit Opportunity Act

[Enclose Attachment 1-A.]

Attachments (2)

Copies for: State and/or National Office Program Director

CSC St. Louis for SFH cases

ATTACHMENT 1-C

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

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

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

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

NAD Assistant Director address:

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 1 - D

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

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

Option 1- Request Mediation

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

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

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

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

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

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

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

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

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

Option 2 - Request an Appeal Hearing

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

[NAD Assistant Director Address]

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

[Rural Development State Director Address]

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

Equal Credit Opportunity Act

[Enclose Attachment 1-A.]

Attachments (2)

Copies for: State and/or National Office Program Director

CSC St. Louis for SFH cases

ATTACHMENT 1-E

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

TO: [CUSTOMER]
FROM: Rural Development State Director
SUBJECT: Request for Mediation Services

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

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

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

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

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

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

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

[NAD Assistant Director Address]

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

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

Equal Credit Opportunity Act

[Enclose Attachment 1-A.]

Copies for: State and/or National Office Program Director

CSC St. Louis for SFH cases

State ADR Coordinator

ATTACHMENT 1-F

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

TO: [Mediation Service Provider]

FROM: Rural Development State Director

SUBJECT: Request for Mediation

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

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

Informal Administrative Review

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

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

Jurisdiction of the Case

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

[Agency contact: 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.

Equal Credit Opportunity Act

[Enclose Attachment 1-A.]

Attachments (2): Adverse decision letter

Customer's request for mediation

Copies for: State and/or National Office Program Director

CSC St. Louis for SFH cases

State ADR Coordinator

ATTACHMENT 1-G

**ATTACHMENT FOR NOTIFYING CUSTOMERS OF EXPIRATION OF
THE 10 DAYS TO SELECT A MEDIATION SERVICE PROVIDER**

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

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

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

Request an Appeal Hearing

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

[NAD Assistant Director Address]

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

[Rural Development State Director Address]

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

Equal Credit Opportunity Act

[Enclose Attachment 1-A.]

Attachments (2)

Copies for: State and/or National Office Program Director

CSC St. Louis for SFH cases

State ADR Coordinator

ATTACHMENT 1-H

**ATTACHMENT FOR CUSTOMER NOTIFICATION OF UNRESOLVED
RESULT OF THE MEDIATION OF THE ADVERSE DECISION**

TO: [CUSTOMER]

FROM: [State Director]

SUBJECT: Unresolved Result of the Requested Mediation

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

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

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

[NAD Regional Assistant Director Address]

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

[NAD Regional Assistant Director Address]

Information Regarding Appeals

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

The NAD 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.

Equal Credit Opportunity Act

[Enclose Attachment 1-A.]

Copies for: State and/or National Office Program Director

CSC St. Louis for SFH cases

State ADR Coordinator
