

TABLE OF CONTENTS

	Page
CHAPTER 1: OVERVIEW	1-1
SECTION 1: INTRODUCTION TO THE CENTRALIZED SERVICING CENTER HANDBOOK	1-1
1.1 WELCOME TO THE CENTRALIZED SERVICING CENTER HANDBOOK	1-1
1.2 USING THIS HANDBOOK.....	1-1
A. Handbook Symbols.....	1-1
B. Citations and Text Boxes.....	1-2
C. Attachments and Appendices.....	1-3
D. Terminology.....	1-3
E. How This Handbook Is Organized	1-4
SECTION 2: OVERVIEW OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM.....	1-5
1.3 GOALS OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM.....	1-5
1.4 SECTION 502 -- AN OVERVIEW	1-5
A. Program Loans.....	1-5
B. Nonprogram Loans	1-6
1.5 SECTION 504 -- AN OVERVIEW	1-6
A. Section 504 Grants.....	1-6
B. Section 504 Loans.....	1-7
1.6 THE ROLE OF FIELD OFFICES	1-7
SECTION 3: AUTOMATION	1-9
1.7 THE DEDICATED LOAN ORIGINATION AND SERVICING (DLOS) SYSTEM.....	1-9
A. UniFi	1-9
B. MortgageServ.....	1-9
SECTION 4: GENERAL PROGRAM REQUIREMENTS.....	1-11
1.8 CIVIL RIGHTS	1-11
A. Nondiscrimination	1-11
B. Reasonable Accommodations for Persons with Disabilities	1-13

1.9 REVIEW AND APPEALS	1-13
A. Informing Program Participants of Their Rights	1-13
B. Adverse Decisions That Cannot Be Appealed.....	1-16
C. Informal Administrative Review	1-17
D. Mediation	1-18
E. Appeal.....	1-21
1.10 CONFLICT OF INTEREST	1-22
A. Borrower Disclosure	1-22
B. Agency Employee Disclosure.....	1-23
C. Disposition of REO Properties	1-23
1.11 OTHER FEDERAL REQUIREMENTS	1-23
A. Environmental Requirements.....	1-23
B. Construction Standards	1-23
C. Administrative Requirements	1-23
1.12 EXCEPTION AUTHORITY	1-24
ATTACHMENT 1-A	EQUAL CREDIT OPPORTUNITY ACT
ATTACHMENT 1-B	ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF AN APPEALABLE ADVERSE DECISION
ATTACHMENT 1-C	ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF AN ADVERSE DECISION THAT CANNOT BE APPEALED
ATTACHMENT 1-D	ATTACHMENT TO LETTER NOTIFYING CUSTOMER OF UNFAVORABLE DECISION REACHED AS A RESULT OF AN INFORMAL ADMINISTRATIVE REVIEW
ATTACHMENT 1-E	NOTIFICATION TO 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
ATTACHMENT 1-F	ASSIGNMENT BY RURAL DEVELOPMENT/USDA OF A CUSTOMER MEDIATION REQUEST TO A MEDIATION SERVICE PROVIDER
ATTACHMENT 1-G	NOTIFICATION TO CUSTOMER OF EXPIRATION OF THE 10 DAYS TO SELECT A MEDIATION SERVICE PROVIDER

ATTACHMENT 1-H CUSTOMER NOTIFICATION OF UNRESOLVED
RESULT OF THE MEDIATION OF THE ADVERSE
DECISION

CHAPTER 2: REGULAR SERVICING 2-1

2.1 INTRODUCTION 2-1

SECTION 1: GETTING STARTED WITH NEW BORROWERS..... 2-5

2.2 GETTING A BORROWER INTO THE CSC SYSTEM 2-5

A. Types of Loans..... 2-5

B. Loan Activation 2-6

C. Loan Docket..... 2-6

2.3 INTRODUCING THE BORROWER TO CSC..... 2-7

2.4 WORKING WITH BORROWERS OVER THE LONG TERM 2-7

SECTION 2: PAYMENTS AND FEES 2-9

2.5 FREQUENCY OF PAYMENTS 2-9

2.6 PAYMENT METHOD 2-9

A. Preauthorized Debit 2-9

B. Billing Statement 2-10

C. Conversion from Annual to Monthly Payments 2-10

2.7 ACCEPTABLE FORMS OF PAYMENT 2-11

2.8 LOCKBOX SERVICES 2-11

A. Crediting Accounts at CSC..... 2-11

B. Payments Received at CSC..... 2-12

2.9 IRREGULAR PAYMENTS 2-12

A. Partial Payments 2-12

B. Excess Payments 2-13

C. Payments on Closed Accounts..... 2-13

2.10 FEES 2-13

SECTION 3: BORROWER ACTIONS REQUIRING APPROVAL	2-15
2.11 OVERVIEW	2-15
2.12 GENERAL GUIDELINES	2-15
A. Reviewing Requests.....	2-15
B. Obtaining an Appraisal and an Environmental Review.....	2-15
C. Evaluating and Approving the Request	2-16
D. Using Proceeds	2-16
2.13 SUBORDINATION.....	2-17
A. Criteria for Subordination.....	2-17
B. Amount of Subordination	2-18
2.14 MINERAL LEASES.....	2-18
2.15 PARTIAL RELEASE OF SECURITY.....	2-19
2.16 LEASE OF SECURITY PROPERTY	2-21
2.17 ASSUMPTION OF INDEBTEDNESS	2-22
A. New Rates and Terms Assumptions	2-22
B. Same Rates and Terms Assumptions.....	2-22
C. Agency Approval.....	2-23
D. Procedural Requirements.....	2-24
E. Releasing a Departing Borrower From Liability	2-24
SECTION 4: REFINANCING WITH PRIVATE CREDIT	2-25
2.18 OVERVIEW	2-25
2.19 SELECTING BORROWERS FOR REVIEW.....	2-25
A. Criteria	2-25
B. Subsequent Credit.....	2-26
C. Subordination of Recapture	2-26
2.20 PROCESSING REQUEST TO REFINANCE	2-27
2.21 UNINCORPORATED BORROWERS AND ACCELERATION	2-27
SECTION 5: RECAPTURE.....	2-29
2.22 TRIGGERING RECAPTURE.....	2-29
A. Ceasing to Occupy the Property	2-29
B. Deceased Borrowers.....	2-30
C. Transferring Title.....	2-30

2.23 CALCULATING RECAPTURE OWED	2-31
A. Recapture Formula.....	2-31
B. Principal Reduction Attributable to Subsidy	2-31
C. Value Appreciation	2-32
2.24 COLLECTING RECAPTURE INFORMATION	2-37
A. Payoff With Final Payoff Statement	2-37
B. Payoff Without Contacting the CSC for a Final Payoff Statement or Final Installment Payment.....	2-38
2.25 DEFERRING PAYMENT OF RECAPTURE	2-40
A. Refinancing with Private Credit	2-40
B. Incentive to Pay Recapture	2-40
2.26 TRUST ACCOUNTS	2-41
SECTION 6: FINAL PAYMENTS.....	2-41
2.27 FINAL PAYMENT AMOUNT	2-41
2.28 PAYOFF STATEMENTS	2-42
A. Statement of Loan Balance	2-42
B. Final Payoff Statement.....	2-43
2.29 PROCESSING FINAL PAYMENTS	2-43
A. Release Security Documents	2-43
B. Release Insurance	2-44
C. Terminate Billing and Preauthorized Debits	2-44
D. Terminate Assignments of Income	2-44
ATTACHMENT 2-A: FINAL PAYOFF WORKSHEET	
ATTACHMENT 2-B: SUBSIDY RECAPTURE CASE STUDY	
ATTACHMENT 2-C: SERVICING BORROWERS WITH BOTH RURAL HOUSING SERVICE (RHS) AND FARM SERVICE AGENCY (FSA) FARM CREDIT PROGRAM (FCP) LOANS	

CHAPTER 3: ESCROW, TAXES, AND INSURANCE	3-1
3.1 INTRODUCTION	3-1
SECTION 1: TAXES AND INSURANCE REQUIREMENTS	3-1
3.2 TAXES AND OTHER LOCAL ASSESSMENTS.....	3-1
A. Tax Service Fee	3-1
B. Borrowers Failure to Pay Taxes.....	3-2
3.3 INSURANCE REQUIREMENTS.....	3-2
A. Policy Requirements	3-3
B. Acceptable Evidence of Insurance.....	3-4
C. Force Placed Insurance	3-4
3.4 SERVICING ACTIONS RELATED TO INSURANCE.....	3-4
A. Reviewing Policies for Acceptability	3-4
B. Annual Payments	3-5
C. Reviewing Changes in Insurance Coverage	3-5
D. Cancellation of Insurance	3-5
E. Vacant or Leased Units.....	3-6
F. Transfer of Property.....	3-6
SECTION 2: ESCROW REQUIREMENTS.....	3-9
3.5 OVERVIEW OF ESCROW REQUIREMENTS.....	3-9
A. Requirement to escrow	3-9
B. Sources of Escrow Funding	3-10
3.6 ESTABLISHING ESCROW ACCOUNTS FOR NEW LOANS.....	3-10
A. Field Office Responsibilities	3-10
B. CSC Responsibilities	3-12
3.7 ESTABLISHING ESCROW ACCOUNTS FOR EXISTING LOANS	3-14
A. Determining the Escrow Amount	3-14
B. Obtain Funds for the Escrow Account.....	3-14
C. Notify the Borrower.....	3-14

3.8 ESCROW PAYMENTS	3-15
3.9 ANNUAL ESCROW ANALYSIS	3-15
A. Surpluses	3-15
B. Shortages	3-15
C. Account History	3-16
D. Projection	3-16
3.10 DISCLOSURE STATEMENTS FOR PROPERTY TRANSFERS AND PAYOFFS	3-16
A. Loan Assumptions	3-16
B. Loans Paid in Full	3-16
SECTION 3: LOSSES	3-17
3.11 OVERVIEW	3-17
A. Reporting the Loss	3-17
B. Losses on Properties with Accelerated Loans	3-17
C. Agency Subrogation of Its Rights	3-17
3.12 FILING THE INSURANCE CLAIM	3-18
3.13 ADMINISTERING INSURANCE PROCEEDS	3-18
A. Loans Secured by a First Lien	3-18
B. Loans Secured by Other Than a First Lien	3-21
C. If the Agency is Not Listed as a Mortgagee	3-21
D. When the Agency has No Claim on Insurance Proceeds	3-22
3.14 INSPECTING REPAIRS AND AUTHORIZING PAYMENTS	3-22
A. Progress Inspections and Payments	3-22
B. Final Payment	3-22
3.15 POST REPAIR ACTIVITIES	3-23
A. If Insurance Funds Remain	3-23
B. Reinstatement After Loss	3-23

3.16 PRESIDENTIAL DECLARED DISASTERS.....	3-23
A. Repairs That Will Be Completed Within 30 Days.....	3-23
B. Repairs That Require More than 30 Days to Complete.....	3-24
3.17 LOSSES NOT COVERED BY INSURANCE.....	3-24
ATTACHMENT 3-A INSURANCE POLICY REQUIREMENTS	
ATTACHMENT 3-B TAX SERVICE FEE SCHEDULE	
CHAPTER 4: PAYMENT SUBSIDIES AND INCOME DETERMINATIONS.....	4-1
4.1 INTRODUCTION	4-1
SECTION 1: PAYMENT SUBSIDIES	4-1
4.2 AN OVERVIEW OF PAYMENT SUBSIDIES	4-1
A. Three Types of Subsidy	4-1
B. Borrower Eligibility	4-2
C. Loan Requirements	4-3
D. Borrower Reporting Requirements	4-3
E. Recapture Requirement.....	4-4
4.3 CALCULATING PAYMENT ASSISTANCE.....	4-4
A. Payment Assistance Method 1.....	4-4
1. Calculating the Payment at the Equivalent Interest Rate.....	4-7
2. Calculating the Floor Payment	4-7
B. Payment assistance Method 2.....	4-8
4.4 CALCULATING INTEREST CREDIT.....	4-10
4.5 PROVIDING PAYMENT ASSISTANCE METHOD 2 TO BORROWERS NOT CURRENTLY RECEIVING A PAYMENT SUBSIDY	4-10
A. Eligibility	4-10
B. Processing Requests for Payment Assistance	4-12
C. Effective Date of Payment Assistance.....	4-12
4.6 ANNUAL AND INTERIM REVIEWS OF PAYMENT SUBSIDIES	4-12
A. Annual Reviews	4-12
B. Interim Reviews	4-13
C. In-Depth Reviews	4-14
D. Trust Loan Borrowers	4-14

SECTION 2: EVALUATING BORROWER INCOME	4-15
4.7 OVERVIEW	4-15
A. Key Concepts for Income Determinations.....	4-15
B. Using MortgageServ and the Income Worksheet to Compute Income	4-22
4.8 SOURCES & VERIFICATION OF INCOME.....	4-22
4.9 CALCULATING ANNUAL AND ADJUSTED INCOME.....	4-40
A. Calculating Deductions from Annual Income	4-40
B. Dependent Deduction	4-41
C. Child Care Expenses.....	4-41
D. Elderly Household Deduction.....	4-43
E. Deduction for Disability Assistance Expense.....	4-44
F. Deduction for Medical Expenses (for Elderly Households Only).....	4-46
4.10 Calculating Repayment Income.....	4-48
4.11 Calculating Income From Assets.....	4-48
CHAPTER 5: SPECIAL SERVICING.....	5-1
5.1 OVERVIEW OF SPECIAL SERVICING.....	5-1
A. Time Frame for Servicing Action.....	5-1
B. Identifying Special Servicing Accounts	5-4
C. Developing a Servicing Strategy	5-4
D. Borrowers Who Have Filed for Bankruptcy.....	5-5
E. Developing a Problem Case Report.....	5-6
5.2 DELINQUENCY WORKOUT AGREEMENTS.....	5-7
A. Eligibility	5-7
B. Related Servicing Actions	5-8
C. Processing Delinquency Workout Agreements	5-8

5.3 USING PAYMENT ASSISTANCE AS A SPECIAL SERVICING ACTION	5-9
A. Refinancing Loans to Permit Payment Assistance	5-10
B. Servicing Actions While the Request for Payment Subsidies Is Processed	5-10
5.4 PROTECTIVE ADVANCES	5-10
A. Advances for Property Repairs	5-11
B. Advances for Other Purposes	5-11
5.5 MORATORIUMS.....	5-12
A. Eligibility	5-12
B. Initiating the Request for a Moratorium	5-13
C. Evaluating and Acting on the Request.....	5-13
D. Monitoring Borrower Accounts During the Moratorium	5-14
E. Cancellation of a Moratorium.....	5-14
F. Resumption of Payments	5-15
5.6 THE LIQUIDATION RECOMMENDATION	5-16
CHAPTER 6: LIQUIDATION AND ACQUISITION.....	6-1
6.1 OVERVIEW OF LIQUIDATION OPTIONS	6-1
A. Voluntary Liquidation.....	6-1
B. Foreclosure.....	6-4
C. Release of a Valueless Lien	6-5
6.2 NET RECOVERY VALUE.....	6-5
A. Establishing Market Value.....	6-5
B. Environmental Considerations.....	6-5
C. Ordering An Appraisal.....	6-6
D. Holding Period.....	6-7
E. Deductions from Market Value	6-7
F. Additions to Market Value	6-8
6.3 BASIC SECURITY LOSS	6-9

6.4 DEED IN LIEU OF FORECLOSURE 6-9
6.5 FORECLOSURE 6-10
 A. Making the Acceleration Decision 6-10
 B. Acceleration 6-11
 C. Review of the Acceleration Decision 6-13
 D. Initiating Legal Proceedings 6-13
 E. The Foreclosure Sale 6-14

ATTACHMENT 6-A NET RECOVERY VALUE WORKSHEET

CHAPTER 7: SPECIAL COLLECTIONS..... 7-1
 7.1 INTRODUCTION 7-1
 SECTION 1: UNAUTHORIZED ASSISTANCE..... 7-1
 7.2 OVERVIEW OF UNAUTHORIZED ASSISTANCE 7-1
 A. Three Types of Unauthorized Assistance 7-2
 B. Consequences for borrowers..... 7-3
 7.3 IDENTIFYING AND INVESTIGATING CASES 7-5
 7.4 NOTIFICATION AND APPEALS AND ADMINISTRATIVE COST 7-6
 A. Notify Borrower..... 7-6
 B. Borrower Consultation..... 7-6
 C. Notice of Determination 7-6
 D. Administrative Cost 7-6
 7.5 DETERMINING THE AMOUNT DUE 7-6
 A. Determine Correct Interest Rate 7-6
 B. Determine Correct Subsidy Amount..... 7-7
 C. Reverse and Reapply Procedures..... 7-7
 7.6 SERVICING ACTIONS 7-8
 A. Assistance to Borrowers 7-8
 B. Processing Changes to the Account..... 7-9
 C. Reactivating Satisfied Accounts 7-9
 SECTION 2: OFFSETS..... 7-11
 7.7 OVERVIEW OF OFFSETS..... 7-11
 7.8 ANNUAL REVIEW OF DELINQUENT ACCOUNTS 7-11

7.9 SALARY AND ADMINISTRATIVE OFFSETS	7-12
A. Amount of Offsets.....	7-12
B. Notifying the Borrower.....	7-13
C. Borrower Response and Appeals.....	7-13
D. Processing Offsets.....	7-15
7.10 IRS OFFSET	7-16
A. Amount of the Offset	7-16
B. Processing	7-17
7.11 REFUNDS	7-17
SECTION 3: DEBT SETTLEMENT	7-19
7.12 COMPROMISE AND ADJUSTMENT OF DEBT.....	7-19
A. Compromise.....	7-20
B. Adjustment.....	7-20
7.13 RECALL TREASURY DEBT.....	7-21
7.14 CHARGE-OFF OF DEBT	7-21
7.15 CANCELLATION OF DEBT	7-22
A. Application from Debtor.....	7-22
B. No Application from Debtor.....	7-23
7.16 NEGOTIATING A SETTLEMENT.....	7-24
A. Assessing the Debtor’s Financial Condition.....	7-24
B. Special Case Debtors	7-25
7.17 PROCESSING DEBT SETTLEMENTS.....	7-26
A. Escrow and Unapplied Funds	7-26
B. Approved Settlements.....	7-26
C. Rejected Settlements.....	7-27
D. Notify the IRS and Credit Agencies	7-27
7.18 DISPOSITION OF PROMISSORY NOTES AND RELEASE OF SECURITY INSTRUMENTS	7-27

GLOSSARY

LIST OF ACRONYMS

APPENDICES

- Appendix 1 7 CFR Part 3550, Direct Single Family Loans and Grants
- Appendix 2 Forms and Certifications
- Appendix 3 Handbook (HB) Letters
- Appendix 4 7 CFR Part 11, National Appeals Division Rules of Procedures
- Appendix 5 Appraisal Guidelines
- Appendix 6 NP Interest Rates
- Appendix 7 State Supplements