

TITLE 7 - AGRICULTURE

CHAPTER XVIII - RURAL DEVELOPMENT DEPARTMENT OF AGRICULTURE

SUBCHAPTER H - GENERAL

PART 1901 - PROGRAM RELATED INSTRUCTIONS

SUBPART K - CERTIFICATES OF BENEFICIAL OWNERSHIP AND INSURED NOTES

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Part 1901 - LOAN AND GRANT MAKING

SUBPART K - CERTIFICATES OF BENEFICIAL OWNERSHIP AND INSURED NOTES

§1901.501 Purpose.

This subpart prescribes policies and procedures for Rural Development certificates of beneficial ownership and insured notes. This subpart is inapplicable to Farm Service Agency, Farm Loan Programs. (Revised 01-09-08, PN 417.)

§1901.502 Policy.

It is the current policy to sell all certificates of beneficial ownership to the Federal Financing Bank for financing activities from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund. Sales from the Rural Housing Insurance Fund will be made to the Federal Financing Bank to the extent necessary to service certificates of beneficial ownership held by the Federal Financing Bank. Sales in excess of those needed for servicing requirements will be made to the public. In addition to sales, this subpart provides policy for the servicing of outstanding certificates of beneficial ownership, insurance contracts, and insured notes held by investors. (Revised 7-23-86, PN 18.).

§1901.503 Definitions.

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

- (1) Announcement of sale. Any notice of terms and conditions respecting a sale of certificates.
- (2) Certificate. A certificate of beneficial ownership issued by Rural Development under this subpart.
- (3) Director, Finance Office. The Director or the Insured Loan Officer of the Finance Office of Rural Development.
- (4) Rural Development. The United States acting through Rural Development.
- (5) Finance Office. The office which maintains the Rural Development finance records. It is located at 1520 Market Street, St. Louis, Missouri 63103. (Phone: 314-425-4400)

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(6) Fixed period. Any time interval (preceding an option period) during which the insured holder is not entitled to require Rural Development to purchase the insured note, as specified in the insurance agreement.

(7) Insurance agreement. The entire contract evidencing and setting forth the terms and conditions of Rural Development insurance of the payment for the insured note. The insurance agreement with respect to any particular loan may be evidenced by Form RD 440-5, "Insurance Endorsement (Insured Loan)," RD 440-30, "Insurance Endorsement (Insured Loans)," or any other form or forms prescribed by the National Office and executed by an authorized official of Rural Development. It may include such provisions as, for example, an agreement of Rural Development to purchase or repurchase the loan, or to make supplementary payments from the insurance fund.

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

(9) Insured holder. The current owner of an insured note other than Rural Development, according to the records of Rural Development as insurer of the note.

(10) Insured note. Any promissory note or bond evidencing an insured loan regardless of whether it is held by Rural Development in the insurance fund, by a private holder, or by Rural Development as trustee.

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

(12) National office. The Administrator or other authorized officer of the Rural Development in Washington, D.C.

(13) Option period. Any period during which the insured holder has the optional right to require the Rural Development to purchase the insured note, as specified in the insurance agreement.

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

(15) Private buyer. A buyer of an insured note other than Rural Development.

§1901.503 (a) (Con.)

(16) Private holder. An insured holder other than Rural Development.

(17) Repurchase agreement. A provision in the insurance agreement obligating Rural Development to buy the insured note at the option of the holders.

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

(19) State Director. The State Director of Rural Development for the State in which is located the real estate improved, purchased, or refinanced with the loan evidenced by the insured note.

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

(1) Reserve bank. The Federal Reserve Bank of New York (and any other Federal Reserve Bank which agrees to issue securities in book-entry form) as fiscal agent of the United States acting on behalf of Rural Development and, when indicated, acting in its individual capacity.

(2) Rural Development security. A certificate representing beneficial ownership of notes, bonds, debentures, or other similar obligations held by Rural Development under the Consolidated Farm and Rural Development Act and Title V of the Housing Act of 1949, issued in the form of a definitive Rural Development security or a book-entry Rural Development security.

(3) Definitive Rural Development security. A Rural Development security in engraved on printed form.

(4) Book-entry Rural Development security. A Rural Development security in the form of an entry made as prescribed in this subpart on the records of a Reserve bank.

(5) Pledge. A pledge of, or any other security interest in, Rural Development securities as collateral for loans or advances, or to secure deposits of public moneys or the performance of an obligation.

(6) Date of call. The date fixed in the official notice of call published in the Federal Register on which Rural Development will make payment of the security before maturity in accordance with its terms.

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

§1901.504 Authorities and responsibilities.

The Administrator will approve all methods of Rural Development financing and major changes in existing methods. The Director, Finance Office, is responsible for servicing of all certificates of beneficial ownership and insured notes issued by the Finance Office, the Federal Reserve Bank of New York for the servicing of insurance contracts, and the Federal Reserve banks for certificates of beneficial ownership for which the Reserve banks are Rural Development's fiscal agents.

§1901.505 Certificates of Beneficial Ownership in Rural Development loans.

(a) Special trust of loans.

(1) Establishment of special trusts. From time to time Rural Development will place in special trusts unmature loans evidenced by notes or other instruments. Loans may be placed into or removed from a special trust, but there will always be maintained in such trusts loans on which the unpaid amount is at least equal to the face value of the outstanding unmature certificates evidencing beneficial ownership in such special trust as provided in paragraph (a) (2) of this section.

(2) Beneficial ownership of special trusts. To permit interested persons to acquire a beneficial ownership of loans comprising a special trust established under paragraph (a) (1) of this section, Rural Development will sell certificates which will evidence beneficial ownership of an interest in the special trust to the extent of the face value of such certificates. Rural Development will own an interest in special trusts equal to the amount by which the unpaid principal amount of loans comprising the trusts exceeds the face value of all outstanding certificates evidencing beneficial ownership in such trusts.

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

- (1) Form of certificates. The certificates may be interest-bearing or non-interest-bearing. The certificates may be made payable to the bearer or registered holder thereof, and will be negotiable. The certificates will be issued in denominations specified in the invitations for bid or other announcement of sale.
- (2) Issue date and maturity date of certificates. The certificates will be issued on such dates and mature on such dates as specified in the invitation for bid or other announcement of sale. Such dates will appear on the face of the certificates.

§1901.506 Book-entry procedure for Rural Development securities - issuance and redemption of certificate by Reserve bank.

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

- (1) Issue book-entry Rural Development securities by means of entries on its records which shall include the name of the depositor, the amount, the securities title (or series) and maturity date.
- (2) Effect conversions between book-entry Rural Development securities and definitive Rural Development securities.
- (3) Otherwise service and maintain book-entry Rural Development securities.
- (4) Issue a confirmation of transaction in the form of a written advice (serially numbered or otherwise) which specifies the amount and description of any securities (that is, the securities title (or series) and the maturity date) sold or transferred and the date of the transaction.

- (b) Scope and effect of book-entry procedure.

- (1) A Reserve bank as fiscal agent of the United States acting on behalf of Rural Development may apply the book-entry procedure provided for in this subpart to any Rural Development securities which have been or are hereafter deposited for any purpose in accounts with it in its individual capacity under terms and conditions which indicate that the Reserve bank will continue to maintain such deposit accounts in its individual capacity, notwithstanding application of the book-entry procedure to such securities. This paragraph shall be applicable but not limited to Rural Development securities deposited:

- (i) As collateral pledged to a Reserve bank (in its individual capacity) for advances by it.
 - (ii) By a member bank for its sole account.
 - (iii) By a member bank held for the account of its customers.
 - (iv) In connection with deposits in a member bank of funds of States, Municipalities, or other political subdivisions.
 - (v) In connection with the performance of an obligation or duty under Federal, State, Municipal, or local law, or judgments or decrees of courts.
- (2) The application of the book-entry procedure under paragraph (b) (1) of this section shall not detract from or adversely affect the relationships that would otherwise exist between a Reserve bank in its individual capacity and its depositors concerning any deposit under this paragraph. Whenever the book-entry procedure is applied to such Rural Development securities, the Reserve bank is authorized to take all action necessary in respect of the book-entry procedure to enable such Reserve bank in its individual capacity to perform its obligation as depository with respect to such Rural Development securities.
- (3) A Reserve bank as fiscal agent of the United States acting on behalf of Rural Development may apply the book-entry procedure to Rural Development securities deposited as collateral pledged to the United States under Treasury Department Circular Nos. 92 and 176, both as revised and amended, and may apply the book-entry procedure, with the approval of the Secretary of the Treasury, to any other Rural Development securities deposited with a Reserve bank as fiscal agent of the United States.
- (4) Any person having an interest in Rural Development securities which are deposited with a Reserve bank (in either its individual capacity or as fiscal agent of the United States) for any purpose shall be deemed to have consented to their conversion to book-entry Rural Development securities pursuant to the provisions of this subpart and in the manner and under the procedure prescribed by the Reserve bank.
- (5) No deposits shall be accepted under this section on or after the date of maturity or call of Rural Development securities.

(c) Transfer or pledge.

(1) A transfer or pledge of book-entry Rural Development securities to a Reserve bank (in its individual capacity or as fiscal agent of the United States), or to the United States, or to any transferee or pledgee eligible to maintain an appropriate book-entry account in its name with a Reserve bank under this subpart is effected and perfected, notwithstanding any provision of law to the contrary, by a Reserve bank making an appropriate entry in its records of the securities transferred or pledged. The making of such an entry in the records of a Reserve bank shall:

(i) Have the effect of a delivery in bearer form of definitive Rural Development securities.

(ii) Have the effect of a taking of delivery by the transferee or pledgee.

(iii) Constitute the transferee or pledgee a holder.

(iv) If a pledge, effect a perfected security interest therein in favor of the pledgee. A transfer or pledge of book-entry Rural Development securities effected under this paragraph shall have priority over any transfer, pledge, or other interest, theretofore or thereafter effected or perfected under paragraph (c) (2) of this section or any other manner.

(2) A transfer or pledge of transferable Rural Development securities, or any interest therein, which is maintained by a Reserve bank (in its individual capacity or as fiscal agent of the United States) in a book-entry account under this subpart, including securities in book-entry form under §1901.506 (b) (1) (iii) is effected, and a pledge is perfected by any means that would be effective under applicable law to effect a transfer or to effect and perfect a pledge of Rural Development securities, or any interest therein, if the securities were maintained by the Reserve bank in bearer definitive form. For purposes of transfer or pledge hereunder, book-entry Rural Development securities maintained by a Reserve bank shall, notwithstanding any provision of law to the contrary, be deemed to be maintained in bearer definitive form. A Reserve bank maintaining book-entry Rural Development securities, either in its individual capacity or as fiscal agent of the United States, is not a bailee for the purposes of notification of pledges of these securities under this paragraph, or a third person in possession for the purposes of acknowledgment of transfers

thereof under this paragraph. Where transferable Rural Development securities are recorded on the books of a depository (a bank, banking institution, financial firm, or similar party, which regularly accepts in the course of its business Rural Development securities as a custodial service for customers, and maintains accounts in the names of such customers reflecting ownership of or interest in such securities) for account of the pledgor or transferor thereof and such securities are on deposit with a Reserve bank in a book-entry account hereunder, such depository shall, for purposes of perfecting a pledge of such securities or effecting delivery of such securities to a purchaser under applicable provisions of law, be the bailee to which notification of the pledge of the securities may be given or the third person in possession from which acknowledgment of the holding of the securities for the purchaser may be obtained. A Reserve bank will not accept notice or advice of a transfer or pledge effected or perfected under this paragraph and any such notice or advice shall have no effect. A Reserve bank may continue to deal with its depositor in accordance with the provisions of this subpart, notwithstanding any transfer or pledge effected or perfected under this paragraph.

(3) No filing or recording with a public recording office or officer shall be necessary or effective with respect to any transfer or pledge of book-entry Rural Development securities or any interest therein.

(4) A Reserve bank shall, upon receipt of appropriate instructions, convert book-entry Rural Development securities into definitive Rural Development securities and deliver them in accordance with such instructions. No such conversion shall affect existing interest in such Rural Development securities.

(5) A transfer of book-entry Rural Development securities within a Federal Reserve Bank shall be made in accordance with procedures established by the Reserve bank not inconsistent with this subpart. The transfer of book-entry Rural Development securities by a Reserve bank may be made through a telegraphic transfer procedure.

(6) All requests for transfer or withdrawal must be made prior to the maturity or date of call of the securities.

(d) Withdrawal of Rural Development securities.

(1) A depositor of book-entry Rural Development securities may withdraw them from a Reserve bank by requesting delivery of like definitive Rural Development securities to itself or on its order to a transferee.

(2) Rural Development securities which are actually to be delivered upon withdrawal may be issued in bearer or registered form.

(e) Delivery of Rural Development securities. A Reserve bank which has received Rural Development securities and effected pledges, made entries regarding them, or transferred or delivered them according to the instructions of its depositor is not liable for conversion or for participation in breach of fiduciary duty even though the depositor had no right to dispose of or take other action in respect of the securities. A Reserve bank shall be fully discharged of its obligations under this subpart by the delivery of Rural Development securities in definitive form to its depositor or upon the order of such depositor. Customers of a member bank or other depository (other than a Reserve bank) may obtain Rural Development securities in definitive form only by causing the depositor of the Reserve bank to order the withdrawal thereof from the Reserve bank.

(f) Registered securities.

(1) No formal assignment shall be required for the conversion to book-entry Rural Development securities of registered Rural Development securities held by a Reserve bank (in either its individual capacity or as fiscal agent of the United States) on the effective date of this subpart for any purpose specified in section 1901.506 (b) (1). Registered Rural Development securities deposited thereafter with a Reserve bank for any purpose specified in section 1901.506 (b) shall be assigned for conversion to book-entry Rural Development securities.

(2) The assignment which shall be executed in accordance with the provisions of Subpart F of 31 CFR Part 306, so far as applicable, shall be to Federal Reserve Bank of _____, as fiscal agent of the United States acting on behalf of Rural Development, United States Department of Agriculture, for conversion to book-entry Rural Development securities.

(g) Servicing book-entry Rural Development securities, payment of interest, payment at maturity or upon call. Interest becoming due on book-entry Rural Development securities shall be charged to the general account of the Treasurer of the United States on the interest due date and remitted or credited in accordance with the depositor's instructions. Such securities

shall be redeemed and charged to the same account on the date of maturity or call, and the redemption proceeds, principal, and interest shall be disposed of in accordance with the depositor's instructions.

(h) Issuance and redemption.

(1) In those instances where the Reserve bank is acting as fiscal agent of the United States acting on behalf of Rural Development, the following subparts of Treasury Department Circular No. 300 (31 CFR Part 306), so far as applicable, shall apply to such certificates.

- (i) Subpart B, Registration.
- (ii) Subpart C, Transfers, Exchanges and Reissues.
- (iii) Subpart D, Redemption or Payment.
- (iv) Subpart E, Interest.
- (v) Subpart G, Assignments of Registered Securities - General.
- (vi) Subpart F, Assignments by or in Behalf of Individuals.
- (vii) Subpart H, Assignments in Behalf of Estates of Deceased Owners.
- (viii) Subpart I, Assignments by or in Behalf of Trustees and Similar Fiduciaries.
- (ix) Subpart J, Assignments in Behalf of Private or Public Organizations.
- (x) Subpart K, Attorneys in Fact.
- (xi) Subpart L, Transfer Through Judicial Proceedings.
- (xii) Subpart M, Requests for Suspension of Transactions.
- (xiii) Subpart N, Relief for Loss, Theft, Destruction, Mutilation, or Defacement of Securities.

§1901.507 Certificates of beneficial ownership issued by the Rural Development Finance Office.

(a) Orders and payment. Orders for investment in certificates may be placed with the Finance Office by mail, telephone, or in person. Payment for purchase of certificates may be made by a wire transfer to the Federal Reserve Bank of St. Louis for credit to Rural Development, by a certified check or bank draft payable to the Rural Development. The rate of interest paid on the certificate will be the rate in effect on the date the Finance Office receives the payment.

(b) Registration.

(1) The registration used must express the actual ownership of a certificate and may not restrict the authority of the owner to dispose of it in any manner. Rural Development reserves the right to treat the registration as conclusive ownership. Request for registration must be clear, accurate, and complete, and include the appropriate taxpayer identifying number or social security number.

(2) The registration of all certificates owned by the same person, organization, or fiduciary should be uniform with respect to the name of the owner and, in case of fiduciary, the description of the fiduciary capacity. Individual owners should be designated by the names by which they are ordinarily known or under which they do business, preferably including at least one full given name. The name of an individual may be preceded by an applicable title, as, for example "Mrs." "Mr.", "Miss" "Ms.". "Dr." or "Rev." or followed by a designation such as "M.D." "D.D." "Sr." or "Jr." Any other similar suffix should be included when ordinarily used or when necessary to distinguish the owner from another member of his family. The address should include, where appropriate, the name and street, route, or any other location feature, and zip code.

(3) If an erroneously inscribed certificate is received, it should not be altered in any respect. Rural Development should be given full particulars about the error and asked to furnish instructions.

(c) Transfers and exchanges - closed periods.

(1) General. Transfer of registered certificates should be made by assignment in accordance with this section. Registered securities are eligible for denominational exchange. Specific instructions for issuance and delivery of new certificates signed by the owner or the owner's authorized representative must

accompany the certificates presented. Certificates presented for transfer must be received by Rural Development not less than 1 full month before the date on which they mature. Any certificates so presented which are received too late to comply with this provision will be accepted for payment only.

(2) Closing of transfer books. The transfer books are closed for 1 full month preceding interest payment dates. If the date set for closing falls on Saturday, Sunday, or a legal holiday, the books will be closed as of the close of business on the last business day preceding that date. The books are reopened on the first business day following the date on which interest falls due. Registered certificates which have not matured, or have been submitted for transfer and are received when the books are closed for that certificate, will be processed on or after the date such books are reopened. If certificates are received for transfer when the books are closed for payment of final interest at maturity, the following action will be taken in the absence of different instructions:

(i) Payment of final interest will be made to the registered owner of record on the date the books were closed.

(ii) Payment of principal will be made to the assignee under a proper assignment of the certificate.

(d) Redemption or payment.

(1) General. Certificates are payable in regular course of business at maturity. Rural Development may provide for the exchange of maturing certificates. The registered certificates should be presented and surrendered for redemption at the Rural Development Finance Office. No assignments or evidence in support of them will be required by or on behalf of the registered owner or assignee for redemption for his or its account, or for redemption-exchange if the new certificates are to be registered in exactly the same names and forms as in the registrations or assignments of the certificates surrendered.

(2) Redemption at maturity. Registered certificates presented and surrendered for redemption at maturity need not be assigned unless the owner desires that payment be made to some other person. Should the owner so desire assignments should be made

to the "Farmers Home Administration for redemption for the account of (inserting name and address of person to whom payment is to be made)." Specific instructions for the issuance and delivery of the redemption check signed by the owner or the owner's authorized representative must accompany the certificates unless included in the assignment. Payment of the principal and interest will be made by a check drawn on the Treasurer of the United States to the order of the person entitled and mailed in accordance with the instructions received. If instructions are not received concerning interest, interest will be paid to the registered owner.

(3) Interest. The interest on Rural Development certificates accrues and is payable annually. A full interest period does not include the day on which the last preceding interest became due, but does include the day on which the next succeeding interest payment is due. Certificates will cease to bear interest on the date of their maturity. The interest on registered certificates is payable by checks drawn on the Treasurer of the United States to the order of the registered owners, except as otherwise provided in this section. Rural Development prepares the interest checks in advance of the interest payment date and ordinarily mails them in time to reach the addressees on that date. Interest on a registered certificate which has not matured and which is presented for any transaction when the books for that certificate are closed will be paid by check drawn to the order of the registered owner of record. On receipt of notice of the death or incompetency of an individual named as registered owner, a change in the name or in the status of a partnership, corporation, or unincorporated association, the removal, resignation, succession, or death of a fiduciary or trustee, delivery of interest checks will be withheld pending receipt and approval of evidence showing who is entitled to receive the interest checks. If the inscriptions on certificates do not clearly identify the owners, delivery of interest checks may be withheld pending reissue of the certificates in the correct registration, except as provided in this section. The final installment of interest will be paid by check drawn to the order of the registered owner of record on presentation and surrender of the certificate for redemption. To assure timely delivery of interest checks, owners should promptly notify Rural Development of any change of address.

(e) Assignments. Assignments of certificates should be executed by the owner or the owner's authorized representative in the presence of an officer authorized to certify assignments. Assignments shall

be made on the back of the certificate. Registered certificates may be assigned to a specified transferee or to Rural Development for redemption or for exchange for other certificates offered at maturity. Assignments to "United States, Rural Development," "Farmers Home Administration for Transfer," or Rural Development for Exchange" will not be accepted unless supplemented by specific instructions by or in behalf of the owner. If an alteration or erasure has been made in an assignment, a new assignment from the assignor should be obtained. Otherwise, an affidavit or explanation by the person responsible for the alteration or erasure should be submitted for consideration.

(f) Death of certificate holder. The Finance Office should be notified of the death of the registered owner of a certificate. The following documents should be forwarded with the notice if available.

(1) A certified copy of the death certificate.

(2) A certified copy of the court order appointing the Administrator or Executor (include the mailing address of the Administrator or Executor). The Finance Office will notify the person submitting such notice and/or documentation if any other records or documents are needed. Legal opinions and advice will be obtained by the Finance Office as needed from the Regional Attorney. After all legal requirements are met, the certificate should be reissued in the name of the current owner.

(g) Replacement. Lost, stolen, destroyed, or mutilated certificates will be replaced by the Finance Office on the registered owner's compliance with the requirements of §1901.509.

§1901.508 Servicing of insured notes outstanding with investors.

The Director, or the insured loan officer of the Finance Office, is authorized in connection with the sale of any insured note to execute required documents on behalf of Rural Development and to take other appropriate action, including, but not limited to, acknowledging notice of sale of an insured note, or requiring an insured holder to sell an insured note to Rural Development in connection with any voluntary conveyance or foreclosure, or transfer related to liquidation of the borrower's account or any other servicing action so related. Upon recommendation by the State Director that purchase of an insured note is necessary for any servicing action not related to liquidation of the borrower's account, authorization may be given by the National Office to request the Director, Finance Office, to require a holder to sell an insured note to Rural Development.

(a) Assignments.

(1) Effective date of assignment. When an insured note is sold by a private holder to a private buyer, notice of such sale executed by the seller must be given to and acknowledged by Rural Development in order for the sale to be binding on Rural Development, as to Rural Development, the effective date of the sale will be the acknowledgment date specified in the acknowledgment of notice executed by Rural Development.

(2) Assignment to Rural Development at request of Rural Development. At any time Rural Development considers it necessary nor proper servicing of the loan, Rural Development may require, in writing, a private holder to sell an insured note to Rural Development.

(3) Assignment to Rural Development at option of holder. A private holder at any time during the option period may require, in writing, Rural Development to purchase an insured note.

(4) Price. If Rural Development is the buyer of an insured note, the price will be the par value as of the effective date of the sale. In other cases, the price will be determined by an agreement between the parties.

(b) Sale of insured notes by private holders to private buyers.

(1) On receipt of notice from a private holder of intention to assign an insured note, the Director, Finance Office, will send the holder:

(i) Form RD 471-7 "Notice and Acknowledgment of Sale of Insured or Guaranteed Loan."

(ii) A statement of the unpaid principal. If requested the Director, Finance Office, will furnish a statement of account instead of or in addition to a statement of the unpaid principal.

(iii) Appropriate information on how to complete the assignment.

(2) If the Director, Finance Office, is informed that an insured note has been assigned and Rural Development is requested to recognize the assignment, the Director, Finance Office, will send the assignor Form RD 471-7, with directions for its execution.

(3) On receipt of Form RD 471-7 properly executed by the assignor, the Director, Finance Office, will complete and execute the acknowledgment section of the form. The Director, Finance Office, will retain the original of the form, have two facsimile copies made and send one to the assignor, and one to the assignee. For any correction or other change to be made in the record of the name or address of a private holder, or of a designated agent of a private holder, a request will be made to Rural Development in writing.

(4) As of the date of the acknowledgment, executed by the Director, Finance Office, on Form RD 471-7 the Director, Finance Office, will transfer the insured note from the assignor to the assignee as the insured holder on the records of Rural Development. The name and address of the assignee will be recorded by Rural Development exactly as they appear on Form RD 471-7.

(5) Payments transmitted by Rural Development on or after the acknowledgment date shown on Form RD 471-7 will be transmitted to the assignee. The Director, Finance Office, will give notice to the assignor and the assignee of any payments transmitted by Rural Development to the assignor before the acknowledgment date and after either the date of sale, or the date of the statement of account, whichever is earlier. However, Rural Development will not be liable for any failure to give such notice.

(c) Assignment of insured notes to Rural Development.

(1) Assignment at the request of the holder. For assignment of an insured note to Rural Development during the option period at the request of the holder, the following procedure will apply:

(i) The holder will endorse the insured note as follows: "Pay to the order of the United States of America. Without recourse." The holder will then deliver the endorsed note, together with the insurance agreement, to the Director, Finance Office.

(ii) On receipt of the endorsed note with the accompanying insurance agreement, the Director, Finance Office, will acknowledge receipt of the note and process payment to the assignor of the par value of the note as of the date of the Treasury check.

(2) Assignment at the request of Rural Development. The procedure for assigning an insured note at the request of Rural Development will be the same as that prescribed in paragraph (c) (1) of this section, except that the Director, Finance Office, will send a written request to the holder requiring that the insured note be assigned to Rural Development and delivered to the Director, Finance Office, with the accompanying insurance agreement. The Director, Finance Office, will explain that the assignment is necessary to enable Rural Development to service the account properly and will give the holder all necessary information as to the manner of making the assignment and the amount to be paid by Rural Development.

(d) Replacement of called or fully paid notes. Certain insurance endorsements contain a clause or rider providing for a replacement note when the original note is paid in full, or is called by Rural Development. This provision applies to loans sold for a fixed period of 10 years or longer for loans sold on or after December 1, 1969, and a fixed period of 15 years or longer for loans sold before December 1, 1969. If a note is paid in full or called by the Government and the lender is entitled to a replacement note, the lender may obtain a certificate of beneficial ownership in lieu of the replacement note. The certificate will carry the rates and terms applicable to the replacement note.

(e) Death of a noteholder. The Finance Office should be notified of the death of a holder of an insured note. The following documents should be forwarded with the notice if available:

(1) A certified copy of the death certificate.

(2) A certified copy of the court order appointing the Administrator or Executor (include the mailing address of the Administrator or Executor). The Finance Office will notify the person submitting the notice and/or documentation if any other records or documents are needed, and will provide any additional instructions that are needed. Legal opinions and advice will be obtained by the Finance Office as needed from the Regional Attorney.

§1901.509 Loss, theft, destruction, mutilation, or defacement of insured notes, insurance contracts, and certificates of beneficial ownership.

(a) Block sale insurance contracts. The Associate Administrator is authorized in connection with block sale insurance contracts to authorize the Rural Development's fiscal agent to establish requirements for

issuance of a replacement insurance contract when the original issued by the Federal Reserve Bank of New York (Rural Development's fiscal agent) is lost, stolen, destroyed, mutilated, or defaced. When a block sale insurance contract is lost, stolen, or destroyed, a duplicate may be issued to the registered holder upon receipt of an acceptable certificate of loss and an indemnity bond without surety. The certificate of loss should include the legal name and present address of the owner and address when issued, if different from the present address; the capacity of person certifying, if other than owner; the identity of the insurance contract, including series number, contract number, denomination, issue date, and form of inscription of registry, and the full statement of circumstances of loss. All available portions of an insurance contract that is mutilated, defaced, or partially destroyed should be submitted to the Federal Reserve Bank of New York (Rural Development's fiscal agent) for determination as to whether a duplicate insurance contract can be issued without a certificate of loss and posting of an indemnity bond. In the event the holder of a block sales insurance contract obtains possession of the underlying notes, the requirements of paragraph (b) of this section apply.

(b) Notes and certificates of beneficial ownership sold by County Office and Finance Office. The Director, or the insured loan officer of the Finance Office, is authorized on behalf of the Government, in connection with insured notes or certificates of beneficial ownership sold through the Rural Development Finance Office to require indemnity bonds from a noteholder when a note or certificate is lost, stolen, destroyed, mutilated, or defaced while in the custody of the holder or his designee. When a note or certificate of beneficial ownership is lost, stolen, or destroyed while in the custody of the holder or his designee, the following will apply:

(1) A certificate of loss should be filed with Rural Development Finance Office. The certificate should include:

- (i) Legal name and present address of owner when issued, if different from present address.
- (ii) Capacity of person certifying, if other than the owner.

(iii) Identity of the note or certificate of beneficial ownership, including the name and Rural Development case number of the maker thereof, issue date, interest rate of obligation, face amount of note or certificate of beneficial ownership, and a full description of any assignment, endorsement, or any other writing.

(iv) A full statement of circumstances of the loss, theft, or destruction of the note.

(2) An indemnity bond in the amount of the unpaid principal and interest will be required except in the following instances:

(i) Substantially the entire note or certificate of beneficial ownership is presented and surrendered by the owner or holder, and the Director, Finance Office, is satisfied as to the identity of the instruments and that any missing portions are not sufficient to form the basis of a valid claim against the United States or the borrower; or

(ii) The owner or holder is the United States, a Federal Reserve Bank, a Federal Government Corporation, a State or territory, or the District of Columbia.

(3) An indemnity bond without surety will be provided in the following cases:

(i) Cases involving registered unassigned obligations held by banks, trust companies, savings and loan associations, or companies holding certificates of authority from Secretary of the Treasury as acceptable sureties on Federal Bonds (companies listed on Treasury Department Circular 570) where the financial responsibilities of such claimants are well known or readily ascertainable.

(ii) Cases involving registered unassigned obligations where the evidence reasonably justifies a conclusion that the obligations were destroyed and the unpaid principal and interest amount does not exceed \$1,000.

(4) An indemnity bond posted with a qualified surety is required in all cases involving registered unassigned obligations other than those cited in paragraphs (b) (2) (i), (b) (2) (ii), (b)

(3) (i) and (b) (3) (ii) of this section. A qualified surety is a company holding a certificate of authority from the Secretary of the Treasury as acceptable sureties on Federal Bonds, and listed in Treasury Department Circular 570.

(5) All indemnity bonds for notes must be payable to both the borrower and Rural Development. All indemnity bonds for certificates of beneficial ownership must be payable to Rural Development. The bond may be posted at the time the note or certificate of beneficial ownership becomes eligible for repurchase by Rural Development. If the holder desires to continue to hold the note for the life of the note, an indemnity bond will not be required.

(6) An assignment of the note or certificate of beneficial ownership shall be made to the United States of America, acting through Rural Development, United States Department of Agriculture. An acceptable form of assignment is available from the Director, Finance Office.

(c) Other cases. Cases involving bearer obligations and other cases not discussed in this section will be forwarded to the Director, Finance Office, for requirements.

(d) Replacement of notes. Rural Development will not attempt to obtain replacement notes from borrowers.

§§1901.510-1901.550 [Reserved]

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