

trust income and corpus. Section 26(a)(3) governs the circumstances which the trustee or custodian may resign. Applicants request an exemption from the requirements of sections 26(a) and 27(c)(2) to permit The Franklin to act as custodian for the proceeds of payments or under the Contracts on a temporary basis until such proceeds are invested in securities and similar instruments, whereupon Fund C will become the custodian of such securities pursuant to section 17(f)(3) of the Act. Applicants assert that the supervision to which The Franklin is subject provides ample assurance against misfeasance and affords the essential protections which a trusteeship under section 26(a)(2) would provide. Furthermore, Applicants assert that the Illinois statutory requirements to which The Franklin is subject provide substantial protections against the hazards at which section 26(a)(3) is aimed.

As pertinent here, section 26(a)(2)(C), provides, in substance, that no payment to the depositor or principal underwriter of a unit investment trust shall be allowed the custodian bank as an expense, except a fee, not exceeding such reasonable amounts as the Commission may prescribe, as compensation for performing bookkeeping and other administrative services normally performed by the custodian. Section 27(c)(2) applies the same restrictions to periodic payment plan certificates. Applicants request an exemption from the provisions of sections 26(a) and 27(c)(2), to the extent necessary, to permit the deduction by The Franklin, which will act as custodian of payment proceeds on a temporary basis pursuant to the request for exemption set forth above, and the payment to the Franklin, of annual administrative expense deductions, as set forth above, and applicable premium taxes paid, a mortality and expense risk charge, and an investment management service charge. Applicants consent to the exemptions requested hereby being made subject to the following conditions: (1) that deductions from purchase payments for administrative services shall not exceed such reasonable amounts as the Commission shall prescribe, jurisdiction being reserved for such purpose, and (2) that the payments of sums and charges out of the assets of Fund C shall not be deemed to be exempted from regulation by the Commission by reason of the requested order, provided that Applicants' consent to this condition shall not be deemed to be a concession to the Commission of authority to regulate the payment of sums and

charges out of such assets other than charges for administrative services; and Applicants reserve the right in any proceeding before the Commission or in any suit or action in any court to assert that the Commission has no authority to regulate the payment of such other sums or charges.

Offers of Exchange

Section 11(a) of the Act provides that it shall be unlawful for any registered open-end company or a principal underwriter for such a company to make or cause to be made an offer to the holder of a security of such company or of any other open-end investment company to exchange his security for a security in the same or another such company on any basis other than the relative net asset values of the respective securities to be exchanged, unless the terms of the offer have first been submitted to and approved by the Commission.

As described above, certain transfers to other products of The Franklin may be made by Fund C's contract owners. Fund C Contracts may also be purchased with the full proceeds of another totally redeemed variable annuity or fixed-dollar annuity issued by The Franklin prior to the annuity payment date thereunder and subject to the minimum investment limitations of the Fund C Contract. Without conceding that section 11(a) is applicable to the aforesaid opportunities for transfer with respect to Fund C Contracts, and without conceding that any such transfers are encompassed within the meaning of "exchange" as used in section 11(a), in order to avoid any question of compliance with the Act, Applicants request that the Commission issue an order of approval pursuant to section 11, to the extent deemed necessary to permit the transfers as set forth above.

Section 6(c) authorizes the Commission to exempt any person, security or transaction or any class or classes of persons, securities or transactions, from the provisions of the Act and rules promulgated thereunder if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants contend that the requested exemptions are necessary and appropriate in the public interest and consistent with the protection of investors and purposes fairly intended by the policy and provisions of the Act.

Notice is further given that any interested person may, not later than

January 6, 1982, at 5:30 p.m., submit to the Commission in writing a request for a hearing on the matter accompanied by a statement as to the nature of his interest, the reason for such request, and the issues, if any, of fact or law proposed to be controverted, or he may request that he be notified if the Commission shall order a hearing thereon. Any such communication should be addressed: Secretary, Securities and Exchange Commission, Washington, D.C. 20549. A copy of such request shall be served personally or by mail upon Applicants at the address stated above. Proof of such service (by affidavit or, in the case of an attorney-at-law, by certificate) shall be filed contemporaneously with the request. As provided by Rule 0-5 of the Rules and Regulations promulgated under the Act, an order disposing of the application will be issued, as of course, following January 6, 1982, unless the Commission thereafter orders a hearing upon request or upon the Commission's own motion. Persons who request a hearing, or advice as to whether a hearing is ordered, will receive any notices and orders issued in this matter, including the date of the hearing (if ordered) and any postponements thereof.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

George A. Fitzsimmons,
Secretary.

[FR Doc. 81-36257 Filed 12-18-81; 8:45 am]
BILLING CODE 8010-01-M

[Release No. 12105; 812-4974]

Mellon Financial Co.; Filing of Application To Amend Existing Exemption Order

December 14, 1981.

Notice is hereby given that Mellon Financial Company ("Applicant"), 6400 Steubenville Pike, P.O. Box 15599, Pittsburgh, Pennsylvania 15244, a Pennsylvania corporation, filed an application on September 17, 1981, pursuant to section 6(c) of the Investment Company Act of 1940 ("Act") (with supplementary letters thereto dated November 20 and 24, 1981), for an order of the Commission amending an existing order (Investment Company Act Release No. 11311, August 21, 1980) ("1980 Order"), which had exempted Applicant from all provisions of the Act, to permit Applicant to organize one or more foreign or domestic subsidiaries for the purpose of expanding its financing operations on behalf of its parent, Mellon National

Corporation ("Mellon"). All interested persons are referred to the application on file with the Commission for a statement of the representations contained therein, which are summarized below.

Applicant states that Mellon is a one-bank holding company registered under the Bank Holding Company Act of 1956 and incorporated under the laws of Pennsylvania. Applicant further states that as of December 31, 1980, Mellon was the sixteenth largest bank holding company in the United States in terms of assets, the seventeenth largest in terms of deposits, and the thirteenth largest bank holding company in terms of equity capital. It is also stated that Mellon's principal subsidiary, Mellon Bank, N.A. ("Mellon Bank"), a member bank of the Federal Reserve System, was the sixteenth largest commercial bank in the United States at December 31, 1980, measured in terms of total assets and deposits. It is further stated that Mellon Bank, which, with its predecessors has been in business since 1869, engages in domestic and international commercial banking, retail banking and trust services. Applicant also states that Mellon's other subsidiaries engage in mortgage banking, real estate financing, consumer finance and equipment leasing. Applicant represents that Mellon and its subsidiaries, including Mellon Bank and Applicant, are subject to regulation by the Board of Governors of the Federal Reserve System, and that Mellon is required to file with the Federal Reserve Board an annual report and such additional information as the Federal Reserve Board may require. Applicant represents that it and its related companies are and will be strictly supervised by various banking authorities, and that the business of Mellon Bank and that of its affiliates is subject to regulation by various federal and state banking authorities and to examination by the Comptroller of the Currency.

It is further stated that the purpose for which Applicant was organized in 1980 was to consolidate within a single corporate entity Mellon's short-term commercial paper and long-term debt financing activities, with the objective of facilitating the administration, accounting, recordkeeping and tax aspects of such financing activities. It is represented that Applicant's sole purpose is to provide a vehicle through which Mellon can provide financing for its operations and those of its subsidiaries through the issuance of debt securities. Applicant further represents that all such debt securities

are issued only upon the unconditional guarantee of Mellon as to payment of interest and repayment of principal, and that such guarantees rank on a parity with other unsecured debt obligations of Mellon's subsidiaries, and that no such guarantees are subordinated in right of payment to other debt issued or guaranteed by Mellon. It is stated that the proceeds of Applicant's debt offerings are applied to the extension of credit to Mellon and its subsidiaries in exchange for notes or other evidences of indebtedness issued by those entities. Applicant states that, as of October 31, 1981, there were \$968 million of its commercial paper outstanding, and \$25 million outstanding of Applicant's promissory notes issued in private placements.

Applicant states that since the date of the 1980 Order, Mellon has determined that it may be appropriate from time to time to make public offerings and private placements of debt securities to persons who are not residents or nationals of the United States through a foreign corporation directly or indirectly owned by Mellon,¹ in essentially the same manner that Applicant is authorized by the 1980 Order to make debt offerings in the United States. It is further stated that Applicant presently proposes to organize one or more foreign wholly-owned subsidiaries for this purpose. In addition, it is stated that Applicant would hold all of the equity securities of any such foreign financing subsidiary, and that the debt securities of any such subsidiary would be unconditionally guaranteed by Mellon and sold only in offerings made outside the United States to foreign nationals under circumstances designed to prevent any reoffering or resale in the United States, its territories or possessions, or to any citizen or national of, or person resident or normally resident in, the United States, its territories or possessions. Applicant represents that it does not have any present intention of causing any foreign subsidiary of it to offer securities within the United States. If for any reason in the future any foreign subsidiary of Applicant does offer securities within the United States, Applicant states that such subsidiary will be deemed not to be an investment company under section 3 of the Act, or it will first obtain an exemption by appropriate action of the Commission.

Applicant further represents that with regard to any domestic financing

¹ Applicant has expressed its understanding that any amended order issued on its Application will not provide relief for any entity other than Mellon Financial Company.

subsidiary which it may organize in accordance with the terms of the exemption sought herein. Applicant would hold all of the equity securities of any such subsidiary, and that the conditions made applicable by the 1980 Order to debt securities offered by Applicant, including those pertaining to the unconditional guarantee of payment of principal and interest by Mellon, the leading of the proceeds of the offering of such securities to Mellon and its subsidiaries, and as to compliance with any applicable provisions of the Securities Act of 1933 and the Trust Indenture Act of 1939, would apply in all material respects to debt securities issued by any such domestic subsidiary.

Applicant asserts that its proposal to establish one or more foreign or domestic financing subsidiaries is consistent with the underlying purpose of the 1980 Order, but states that the provision of the 1980 Order restricting Applicant's assets to cash and evidences of indebtedness of Mellon and its subsidiaries technically does not suggest the holding by Applicant of the equity securities of a wholly-owned subsidiary. Therefore, Applicant requests that the 1980 Order be amended to permit Applicant to hold the equity securities of one or more wholly-owned foreign or domestic financing subsidiaries which may make offerings of debt securities under conditions specified in the 1980 Order as hereby amended.

Section 6(c) of the Act provides, in relevant part, that the Commission, by order upon application, may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of the Act if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Notice is further given that any interested person may, not later than January 8, 1982, at 5:30 p.m., submit to the Commission in writing a request for a hearing on the application accompanied by a statement as to the nature of his interest, the reason for such request, and the issues, if any, of fact or law proposed to be controverted, or he may request that he be notified if the Commission shall order a hearing thereon. Any such communication should be addressed: Secretary, Securities and Exchange Commission, Washington, D.C. 20549. A copy of such request shall be served personally or by

mail upon Applicant at the address stated above. Proof of such service (by affidavit or, in the case of an attorney-at-law, by certificate) shall be filed contemporaneously with the request. As provided by Rule 0-5 of the rules and regulations promulgated under the Act, and order disposing of the application will be issued as of course following said date unless the Commission thereafter orders a hearing upon request or upon the Commission's own motion. Persons who request a hearing, or advice as to whether a hearing is ordered, will receive any notices and orders issued in this matter, including the date of the hearing (if ordered) and any postponements thereof.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

George A. Fitzsimmons,
Secretary.

[FR Doc. 81-36254 Filed 12-18-81; 8:45 am]
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[Release No. 22316; 70-6677]

Middle South Utilities, Inc.; Proposed Issuance and Sale of Common Stock in Accordance With Employees' Savings Plan

December 14, 1981.

Middle South Utilities, Inc., 225 Baronne Street, New Orleans, Louisiana 70112, a registered holding company, has filed an application-declaration with this Commission pursuant to sections 6(a) and 7 of the Public Utility Holding Company Act of 1935 ("Act") and Rule 50(a)(5) promulgated thereunder.

By prior order dated August 25, 1978 (HCAR No. 20685), Middle South was authorized to issue and sell to Hibernia National Bank in New Orleans, as Trustee ("Trustee") for the Middle South System Savings Plan, from time to time through December 31, 1983, up to 1,000,000 shares of Common Stock, \$5 par value. Through November 5, 1981, Middle South has issued and sold 827,345 shares of its Common Stock pursuant to the Plan, so that only 172,655 shares remain available for sale, and such stock is expected to be sold by February 1981.

By post-effective amendment, Middle South requests authorization to issue and sell to the Trustee from time to time through December 31, 1984, a maximum of 3,000,000 additional shares of authorized but unissued Common Stock ("Additional Common Stock"), \$5 par value. The proceeds will be used to reduce outstanding bank loans and for other corporate purposes.

Any eligible employee ("Participant") of Middle South and any Middle South System Company which has adopted the Plan ("Employer") may contribute from one percent to six percent of his regular earnings to the Plan. Each Employer will contribute to the Plan each month out of its current or accumulated earnings and profits an amount equal to 50% of the contributions made by each of its employee participants for the preceding month. In accordance with the Employee Retirement Income Security Act of 1974, the amount allocated to any Participant's account due to Employer contributions may not exceed the lesser of 25% of his regular earnings or \$25,000 (subject to adjustment for cost of living changes) or the maximum amount permitted by Section 415 of the Internal Revenue Code.

Each participant's contribution will be credited to Participant's account and invested by the Trustee, as directed by the participant, in one, or equal portions in any two or all, of the following three funds: (a) A Stock Fund—contributions to which are invested by the Trustee solely in shares of common stock of Middle South; (b) an Equity Fund—contributions to which are invested in common stock or certain other equity securities are held in an investment shall be made in securities issued by Middle South or any System company except to the extent such securities, provided that no investment trust; or (c) the Insured Guaranteed Investment Fund—contributions to which are invested under a contract between the Trustee and the Equitable Life Assurance Society of United States ("Equitable") which guarantees repayment of any amounts paid to Equitable and payment of interest at specified rates. No Participant may direct the Trustee to invest his contributions exclusively in the Middle South Utilities Stock Fund; however, a Participant or former Participant having an interest in any fund may transfer investments from one fund into another at least once each year. The Trustee may purchase Middle South Stock for the Plan in the open market or by private purchase, provided that if a private purchase is made from Middle South no commission shall be paid with respect thereto. The Trustee may purchase Middle South Common Stock directly from Middle South under its Dividend Reinvestment and Stock Purchase Plan or any other similar plan at the purchase price provided in such plan.

A member's contributions, plus earnings thereon, are fully vested at all times. Employer contributions, plus earnings thereon, become vested (a)

upon a member's eligibility for retirement from a Middle South System company, disability or death or (b) otherwise in accordance with a schedule which provides for 25% vesting after two full years of service and for increases by 12½% with each year of service thereafter until fully vested. Employer contributions, plus earnings thereon, which are not vested at the time of the termination of employment of a member are forfeited by the member and are used to reduce future contributions to the Plan by his Employer.

A System employee, while employed, may withdraw all or a portion of his contributions subject to certain reinvestment period restrictions. Whether or not employed, a Participant over 59½ years of age who also is 100% vested and who has participated for 5 years may withdraw, subject to approval of the Plan committee, the value of his entire account. Upon termination of employment, the entire vested amount of a member's account is distributed to the member or to the member's designated beneficiaries.

A member may instruct the Trustee as to the voting of shares of Middle South Common Stock held for his account. Any shares of Middle South Common Stock held by the Trustee for which instructions are not received are not voted. The Trustee has the authority to vote all other securities in its discretion.

The Board of Directors of Middle South may amend or terminate the Plan in whole or in part. No amendment may retroactively reduce a member's account or vested portion thereof. Upon termination of the Plan, a member's entire account shall become vested. Any Employer may withdraw from the Plan, whereupon the value of its employee members' entire accounts will be distributed to such members or invested on behalf of such members under insurance contracts or with trustees.

The Plan is administered by a committee consisting of five employees of a Middle South System Company appointed by the Board of Directors of Middle South. The Trustee administers the Trust under a Trust Agreement and is solely responsible for the investment and safekeeping of the Trust. The administrative expenses of the Plan are paid out of forfeitures or, if the forfeitures are insufficient, by the Employers. Direct charges and expenses arising from the purchase or sale of securities for the three funds are paid by the Trustee from the fund or funds involved.

The application-declaration and any amendments thereto are available for public inspection through the

Commission's Office of Public Reference. Interested persons wishing to comment or request a hearing should submit their views in writing by January 7, 1982, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the applicant-declarant at the address specified above. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for a hearing shall identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in this matter. After said date, the application-declaration, as filed or as it may be amended, may be granted and permitted to become effective.

For the Commission, by the Division of Corporate Regulation, pursuant to delegated authority.

George A. Fitzsimmons,
Secretary.

[FR Doc. 81-30253 Filed 12-18-81; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 12104; 812-4957]

Trustfunds Liquid Asset Trust; Application for Exemption Order

December 14, 1981.

Notice is hereby given That Trustfunds Liquid Asset Trust ("Applicant"), 28 State Street, Boston, Massachusetts 02109, an open-end, diversified, management investment company registered under the Investment Company Act of 1940 (the "Act"), filed an application on August 17, 1981 and amendments thereto on October 15, 1981 and October 22, 1981, requesting an order of the Commission pursuant to section 6(c) of the Act declaring that Richard F. Blanchard, a trustee of Applicant, shall not be deemed an "interested person", as defined in section 2(a)(19) of the Act, of the Applicant, its manager, SEI Financial Services Company (the "Manager"), or its investment adviser, Wellington Management Company/Thorndike, Doran, Paine & Lewis (the "Adviser"), by reason of his position as a director of AEA Investors Inc. ("AEA Investors"). All interested persons are referred to the application on file with the Commission for a statement of the representations contained therein, which are summarized below.

Applicant states that Mr. Blanchard is a director of and consultant to AEA Investors, and that AEA Securities Inc. ("AEA Securities"), a subsidiary of AEA Investors, is a registered broker-dealer under the Securities Exchange Act of

1934 ("Exchange Act"). In addition, Applicant states that American Express Company ("American Express"), which has three affiliates registered as broker-dealers under the Exchange Act, owns 9% of the voting stock of AEA Investors.

Sections 2(a)(19)(A)(v) and (B)(v) define an "interested person" of an investment company and of an adviser of an investment company to include any broker or dealer registered under the Exchange Act or any affiliated person of such broker or dealer. Section 2(a)(3) of the Act includes in the definition of an "affiliated person" any person directly or indirectly controlling, controlled by or under common control with such other person, and any person directly or indirectly owning, controlling, or holding, with power to vote 5 percent or more of the outstanding voting securities of such other person.

Applicant states that because of Mr. Blanchard's position as a director of AEA Investors, he might be deemed an affiliated person of AEA Securities, and thus, an "interested person", as defined in section 2(a)(19) of the Act, of the Applicant, the Manager, and the Adviser. Applicant also states that, because of the American Express equity interest in AEA Investors, Mr. Blanchard, by reason of his position as a director of AEA Investors, may be deemed to be an "affiliated person" of American Express, of its subsidiary, Shearson Loeb Rhoades Inc. ("Shearson"), a broker-dealer registered under the Exchange Act that was acquired by American Express on June 29, 1981, and of Shearson's two registered broker-dealer subsidiaries.

Section 10(a) of the Act prohibits a registered investment company from having a board of directors more than 60% of whom are interested persons of such investment company. Applicant seeks an exemptive order to permit Mr. Blanchard to serve as a disinterested trustee of the Applicant and to avoid a possible future violation of section 10(a) of the Act. In addition to Mr. Blanchard, Applicant presently has two trustees who may be deemed to be interested persons of the Applicant and the Manager, and two trustees who are not interested persons of the Applicant, the Manager or the Adviser.

Applicant states that AEA Investors is a privately owned acquisition and investment firm, and that AEA Securities performs limited functions, including the negotiation of the terms of the acquisitions, investments and borrowings made by AEA Investors, and the placement of the securities so acquired with the stockholders of AEA Investors and a limited number of other

investors who may be invited to participate. AEA Securities also negotiates the terms of any subsequent disposition of such investments on behalf of AEA Investors' stockholders and the other participating investors. Applicant states that it has been informed that AEA Securities does not engage in any trading or underwriting of securities or provide research services or maintain accounts for any customers. Applicant has been advised that AEA Securities does not perform any services or engage in any activities for or on behalf of anyone other than AEA Investors, stockholders of AEA Investors and a limited number of other investors who may be invited to participate in a particular acquisition or investment made by AEA Investors. Applicant states that AEA Securities is not a member of the National Association of Securities Dealers or of any national securities exchange, and that Mr. Blanchard is not a director or officer of, or a consultant to, AEA Securities. Applicant states that, due to the special nature of the types of investments with which AEA Securities is involved, Applicant would not purchase or sell such investments from or through AEA Securities, and that Applicant does not intend to make any such investments. Further, Applicant represents that it will not transact any business with AEA Securities while Mr. Blanchard is a trustee of Applicant.

Applicant states that, because of American Express's approximate 9% equity interest in AEA Investors, AEA Investors may be deemed to be "under common control" with Shearson and its registered broker-dealer subsidiaries pursuant to section 2(a)(3)(C) of the Act. Therefore, AEA Investors may be deemed an "affiliated person" of Shearson and its broker-dealer subsidiaries. Mr. Blanchard, by reason of his directorship of AEA Investors may be deemed an "affiliated person" of an "affiliated person" of a registered broker-dealer and therefore an "interested person" under sections 2(a)(19)(A)(v) and B(v) of the Act.

Applicant submits that it has been informed that there are 47 other shareholders of AEA Investors, and that three other individuals own approximately 17%, 8%, and 8%, respectively, of the voting equity of AEA Investors, none of whom have any affiliation with American Express. Further, Applicant represents that it has been informed that American Express has only one representative on the thirteen-member board of directors of AEA Investors.

Mr. Blanchard, who was an executive vice president of American Express prior to his retirement on June 1, 1981, represents that he does not own an equity interest in AEA Investors. Applicant submits that Mr. Blanchard is not, by virtue of his directorship of AEA Investors, in control of, or directly or indirectly controlled by, Shearson or American Express. However, to remove any doubt, Applicant is seeking this exemption. Applicant represents that Mr. Blanchard no longer performs any services for, or receives any compensation from, American Express, and that he has had no business dealings with Shearson, which was acquired by American Express after the date of his retirement from American Express. Applicant submits that Mr. Blanchard's position as a director of AEA Investors will not affect either Mr. Blanchard's independence or the Applicant's relationship with Shearson. Applicant believes that Mr. Blanchard will in fact be an independent trustee and that it is in the Applicant's best interest that he be deemed a disinterested trustee.

Applicant represents that the amount of any brokerage commissions paid to Shearson by the Applicant will in all likelihood be *de minimis* in relation to Shearson's gross revenues.

Applicant states that under the Investment Advisory Agreement among the Applicant, the Manager, and the Adviser, the Adviser is delegated the authority to select broker-dealers and to place transactions on behalf of the Applicant, subject to the overall review of the Manager and the board of trustees. Applicant states that Mr. Blanchard will not have any part in the selection of broker-dealers or the placement of transaction orders on behalf of the Applicant, and Mr. Blanchard undertakes that he will not participate in the selection of broker-dealers on behalf of the Applicant.

For the foregoing reasons, Applicant submits that, although Mr. Blanchard may be an "affiliated person" of Shearson or of the registered broker-dealer subsidiaries of Shearson for purposes of section 2(a)(3), he should not be deemed to be an "interested person" of the Applicant.

The Applicant agrees that, as a condition to the order requested, Mr. Blanchard will not vote on, or participate in board discussions of, the allocation of any portfolio brokerage by the Applicant, the selection of broker-dealers with which the Applicant effects portfolio transactions, or on matters involving any relationship between the

Applicant and Shearson or any of the broker-dealers subsidiaries of Shearson; provided, however, that for the purpose of determining the number of votes of interested as well as disinterested trustees required to take action on any matters referred to above, Mr. Blanchard will be counted as a trustee in determining the total number of trustees and will be counted as a disinterested trustee in counting the number of disinterested trustees, and *provided, further*, that nothing contained above is intended to limit or prohibit Mr. Blanchard from voting and acting upon any matters relating to the approval or continuation of investment advisory contracts.

Section 6(c) of the Act provides that the Commission, by order upon application, may conditionally or unconditionally exempt any person or transaction from any provision of the Act or of any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Notice is further given that any interested person may, not later than January 8, 1982, at 5:30 p.m., submit to the Commission in writing a request for a hearing on this matter accompanied by a statement as to the nature of his/her interest, the reasons for such request, and the issues, if any, of fact or law proposed to be controverted, or he/she may request that he/she be notified if the Commission shall order a hearing thereon. Any such communication should be addressed to: Secretary, Securities and Exchange Commission, Washington, D.C. 20549. A copy of such request shall be served personally or by mail upon the Applicant at the address stated above. Proof of such service (by affidavit, or in case of an attorney-at-law, by certificate) shall be filed contemporaneously with the request. As provided by Rule 0-5 of the rules and regulations promulgated under the Act, an order disposing of the application will be issued as of course following said date, unless the Commission thereafter orders a hearing upon request or upon the Commission's own motion. Person who request a hearing, or advice as to whether a hearing is ordered, will receive any notices and orders issued in this matter, including the date of the hearing (if ordered) and any postponements thereof.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

George A. Fitzsimmons,
Secretary.

[FR Doc. 81-36256 Filed 12-18-81; 8:45 am]

BILLING CODE 8010-01-M

DEPARTMENT OF TRANSPORTATION

Coast Guard

[CGD 81-098]

Loran-C Radionavigation System Blink, Procedure Change

AGENCY: Coast Guard, DOT.

ACTION: Request for Comments.

Purpose: The Coast Guard has received several inquiries from rho-rho, Master-independent, and time users of the Loran-C system requesting a change in blink procedures. Because of these inquiries, the Coast Guard is considering changing the blink procedure of the Secondary stations of a Loran-C chain, when the Master station of the same chain is off-air. This procedural change will not degrade the current level of Loran-C system availability or reliability. The change will improve Loran-C signal availability for the expanding rho-rho, Master-independent, and time user community.

Scope: Blink is used to notify users of the Loran-C system that navigational information from the system may be absent or inaccurate. Blink procedures require that each secondary station of a Loran-C chain blinks the first two of its eight pulses on and off during abnormal operations. In the past, one requirement for secondary station blink was when the associated Master station was off-air. The proposed procedural change will not require secondary stations to blink the first two pulses during periods of Master station off-air. In accordance with current practice, blink will still be required to be exhibited by secondary stations when any of the following conditions exist:

- (1) Time Difference is out of tolerance.
- (2) Envelope-to-cycle difference (ECD) is out of tolerance.
- (3) Improper phase code or Group Repetition Interval.
- (4) Master or Secondary station transmitting at less than one half of specified output power. (Under the proposed change this will not include Master station off-air).

Comments: The Coast Guard desires comments from users and the manufacturers and distributors of Loran-C equipment concerning the change in

blink procedure discussed in this article. Comments on effects of this change to normal receiver operations are especially desired. Comments should be submitted to Commandant (G-NRN), U.S. Coast Guard, Washington, DC 20593. Persons desiring acknowledgement that their comments have been received should enclose a stamped self-addressed postcard or envelope. Comments are requested by 31 January 1982.

FOR FURTHER INFORMATION CONTACT:

LCDR John Weseman, Office of Navigation (G-NRN-3/14), Room 1413, U.S. Coast Guard Headquarters, 2100 Second Street, S.W., Washington, DC 20593, (202) 472-5857.

R. A. Bauman,

Rear Admiral, U.S. Coast Guard, Chief, Office of Navigation.

December 14, 1981.

[FR Doc. 81-36353 Filed 12-18-81; 8:45 am]

BILLING CODE 4910-14-M

Federal Highway Administration

Environmental Impact Statement; Honolulu, Hawaii

AGENCY: Federal Highway Administration (FHWA), DOT.

ACTION: Notice of Intent.

SUMMARY: The FHWA is issuing this notice to advise the public that an environmental impact statement will be prepared for a proposed highway project in Honolulu, Hawaii.

FOR FURTHER INFORMATION CONTACT:

Heloshi Kusumoto, Division Administrator, Federal Highway Administration, 300 Ala Moana Boulevard, Box 50206, Honolulu, Hawaii 96850, Telephone: (808) 546-5150.

SUPPLEMENTARY INFORMATION: The FHWA, in cooperation with the State of Hawaii, Department of Transportation, will prepare an environmental impact statement (EIS) on a proposal to improve a section of Nimitz Highway (FAP 92) in Honolulu, Hawaii. The proposed project begins at the Keehi Interchange and terminates in the vicinity of Pier 18 of Honolulu Harbor. This section of highway is located within an important industrial-zoned area and provided a major coastal route for a variety of trip purposes. Peak hour traffic volumes are frequently operating at capacity levels, and within the next 20 years, it is anticipated that demand volumes will increase by 20 percent. Proposed improvements will increase the capacity of Nimitz Highway and expand its operational safety characteristics.

Due to the complexities of the project, several alternatives have been developed which range from simple, inexpensive proposals to more long-range, costly improvements. The alternatives being considered for this project include: (1) Do nothing; (2) improving selected intersections; (3) widening Nimitz Highway; (4) implementing traffic systems management strategies; (5) grade separating cross streets; and (6) constructing a viaduct.

Letters describing the proposed action and soliciting comments will be sent to appropriate Federal, State, and local agencies, and to private organizations and citizens who have previously expressed interest in this proposal. Also, public meetings and a public hearing will be held. A public notice will be published in the local newspaper indicating the time and place for these meetings and the hearing. In addition, the draft EIS will be available for public and agency review and comment. No formal scoping meeting is planned at this time.

To ensure that the full range of issues relating to this proposed action are addressed and all significant issues identified, comments and suggestions are invited from all interested parties. Comments or questions concerning this proposed action and the EIS should be directed to the FHWA at the address provided above.

Issued on December 9, 1981.

Heloshi Kusumoto,

Division Administrator, Honolulu, Hawaii.

[FR Doc. 81-36123 Filed 12-18-81; 8:45 am]

BILLING CODE 4910-22-M

DEPARTMENT OF THE TREASURY ORDER

[Number 145-16]

Delegation of Authority

Dated: December 9, 1981.

Subject: Delegation of Authority to the Commissioner, Bureau of Government Financial Operations, to Sign Regulations Governing Treasury Checks

By virtue of the authority vested in the Secretary of the Treasury, including the authority in Reorganization Plan No. 26 of 1950, and by virtue of the authority vested in me as Fiscal Assistant Secretary by Treasury Department Order No. 101-5, January 7, 1981, there is hereby delegated to the Commissioner, Bureau of Government Financial Operations (hereafter, "the Commissioner"), the authority of the Secretary of the Treasury to sign regulations governing the rights and

duties of the United States on checks drawn against the Treasury of the United States, and on checks drawn against depositaries of public money. The Commissioner shall sign any such regulations under this authority in his or her own capacity and under his or her own title and shall be responsible for referring to the Fiscal Assistant Secretary any matter on which action should appropriately be taken by the Fiscal Assistant Secretary.

To the extent necessary, I hereby ratify and confirm any actions taken by the Commissioner in exercise of the authorities delegated herein.

Paul H. Taylor,

Fiscal Assistant Secretary.

[FR Doc. 81-36344 Filed 12-18-81; 8:45 am]

BILLING CODE 4810-25-M

VETERANS ADMINISTRATION

Cooperative Studies Evaluation Committee; Meeting

The Veterans Administration gives notice under Pub. L. 92-463 that a meeting of the Cooperative Studies Evaluation Committee, authorized by 38 U.S.C. 4101, will be held in Hall of City Conference Room, Miami Marriott Hotel, 1201 NW Le Jeune Rd. (NW 42nd Avenue), Miami, Florida 33136 on February 1 and 2, 1982. The meeting will be for the purpose of reviewing proposed cooperative studies and advising the Veterans Administration on the relevance and feasibility of the studies, the adequacy of the protocols, and the scientific validity and propriety of technical details, including protection of human subjects. The Committee advises the Director, Medical Research Service, through the Chief of the Cooperative Studies Program, on its findings.

The meeting will be open to the public up to the seating capacity of the room from 8 to 8:30 a.m., on February 1 and 2, to discuss the general status of the program. To assure adequate accommodations, those who plan to attend should contact Dr. James A. Hagans, Coordinator, Cooperative Studies Evaluation Committee, Veterans Administration Central Office, Washington, DC (202-389-3702), prior to January 8.

The meeting will be closed from 8:30 a.m. to 7:15 p.m. on February 1, and from 8:30 a.m. to 5:15 p.m. on February 2, for consideration of specific proposals in accordance with provisions set forth in subsection 10(d) of Pub. L. 92-463, as amended by section 5(c) of Pub. L. 94-409, and subsections (c)(6) and (c)(9)(B)

of section 552b, title 5, United States Code. During this portion of the meeting, discussions and decisions will deal with qualifications of personnel conducting the studies and the medical records of patients who are study subjects, the disclosure of which would constitute a clearly unwarranted invasion of personal privacy. Additionally, premature disclosure of the Committee's recommendations would likely frustrate implementation of final proposed actions.

Dated: December 11, 1981.

Robert P. Nimmo,

Administrator.

[FR Doc. 81-36260 Filed 12-18-81; 4:45 am]

BILLING CODE 8320-01-M

Sunshine Act Meetings

Federal Register

Vol. 46, No. 244

Monday, December 21, 1981

This section of the FEDERAL REGISTER contains notices of meetings published under the "Government in the Sunshine Act" (Pub. L. 94-409) 5 U.S.C. 552b(e)(3).

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1

FEDERAL DEPOSIT INSURANCE CORPORATION

Agency Meeting

Pursuant to the provisions of the "Government in the Sunshine Act" (5 U.S.C. 552b), notice is hereby given that at 9:35 a.m. on Thursday, December 17, 1981, the Board of Directors of the Federal Deposit Insurance Corporation met in open session, by telephone conference call, to consider a policy statement regarding capital adequacy.

In calling the meeting, the Board of Directors determined, on motion of Chairman William M. Isaac, seconded by Director Irvine H. Sprague (Appointive), concurred in by Director C. Todd Conover (Comptroller of the Currency), that Corporation business required its consideration of the matter on less than seven days' notice to the public and that no earlier notice of the meeting was practicable.

Dated: December 17, 1981.

Federal Deposit Insurance Corporation.

Hoyle L. Robinson,

Executive Secretary.

(S 1900-01 Filed 12-17-81; 3:22 pm)

BILLING CODE 6714-01-M

2

FEDERAL ENERGY REGULATORY COMMISSION

Meeting

December 16, 1981.

TIME AND DATE: 10 a.m., December 22, 1981.

PLACE: Room 9306, 825 North Capitol Street, N.E., Washington, D.C. 20426.

STATUS: Open.

MATTERS TO BE CONSIDERED: Agenda.

Note.—Items listed on the agenda may be deleted without further notice.

CONTACT PERSON FOR MORE INFORMATION: Kenneth F. Plumb,

Secretary; telephone (202) 357-8400.

This is a list of matters to be considered by the Commission. It does not include a listing of all papers relevant to the items on the agenda; however, all public documents may be examined in the Division of Public Information.

CAP-1. Project No. 405, Philadelphia Electric Power Co. and Susquehanna Power Co.
CAP-2. Project No. 176, Escondido Mutual Water Co.

CAP-3. Project No. 3708-000, Mitchell Energy Co.; Project No. 4720-000, City of Farmington, New Mexico

CAP-4. Project No. 4129-001, Olcese Water District; Project No. 3315-000, Fluid Energy System, Inc.; Project No. 4122-000, Kern County Water Agency

CAP-5. Project No. 4732-001, City of Drain, Oregon; Project No. 3379-000, Cascade Water Power Development Corp.; Project No. 4475-000, City of Ashland, Oregon

CAP-6. Project No. 4461, 4463 and 4464, County of Armstrong, Pennsylvania and A. Richard Marcus and Associates

CAP-7. Project No. 5260-000, Cornwall Paper Mills Co.; Project No. 3887-000, American Hydro Power Co.

CAP-8. Project No. 4024-000, Gregory Wilcox; Project No. 4569-000, City of Montrose, Colorado

CAP-9. Docket No. ER82-54-000, Southern Co. Services, Inc.

CAP-10. Docket No. ER82-68-000, Washington Water Power Co.

CAP-11. Docket No. ER81-750-000, Iowa Power & Light Co.

CAP-12. Docket Nos. ER81-448-000, ER81-474-000, ER81-382-000, ER81-386-000 and EL82-1-000, APS-PJM interconnection agreement, et al.

CAP-13. Docket No. ER81-736-000, Central Illinois Public Service Co.

CAP-14. Docket No. ER81-177-000, Southern California Edison Co.

CAP-15. Docket No. ER81-679-000, Pacific Gas & Electric Co.

CAP-16. Docket No. Docket No. ER81-749-000, Montauk Electric Co.

CAP-17. Docket No. ER81-645-001 New England Power Co.

CAP-18. Docket No. ER81-397-000, Commonwealth Edison Co. of Indiana

CAP-19. Docket No. ES82-24, El Paso Electric Co.

Consent Miscellaneous Agenda

CAM-1. Docket No. RM82- , Monthly Power Plant Report

CAM-2. Docket No. GP81-42-000, State of Ohio, Section 107 NGPA determination,

Clinton sandstone formation, Cline Oil & Gas Co., Greenless No. 1, J. A. No. 121-2017-3,7, J. D. 81-28638

CAM-3. (a) Docket No. GP81-39, Belco Petroleum Corp.; (b) Docket No. G-19589-004, Belco Petroleum Corp.; (c) Docket No. GP81-38-000, Ashland Exploration, Inc.

CAM-4. Docket No. RA81-52-000 and RA81-53-000, Laketon Asphalt Refining, Inc.

CAM-5. Docket No. RO79-13, Glenn Martin Heller d.b.a. Beacon Hill Gulf

CAM-6. Docket No. RM81-10, Regulations governing applications for license for minor water power projects and major water power projects 5 megawatts or less

CAM-7. Docket No. RM81-15, Revisions to regulations governing applications for preliminary permit and license for water power projects

CAM-8. Docket No. RM80-39, Regulations governing applications for license for major unconstructed projects and major modified projects; applications for license for transmission line only; and applications for amendment to license

Consent Gas Agenda

CAG-1. Docket No. RP82-10-000, Tennessee Gas Pipeline Co.

CAG-2. Docket No. RP82-12-000, Tennessee Gas Pipeline Co.

CAG-3. Omitted

CAG-4. Docket No. RP82-14-000, Mountain Fuel Resources, Inc.

CAG-5. Docket No. RP82-15-000, Grand Bay Co.

CAG-6. Docket No. RP81-52, Northern Natural Gas Co.

CAG-7. Docket No. RM78-23 and RM81-37, Initial Louisiana First use tax Refund Reports; Docket Nos. RP81-101-000, et al., Arkansas Louisiana Gas Co., et al.

CAG-8. Docket No. TA82-1-4 (PGA82-1), Granite State Gas Transmission, Inc.

CAG-9. Docket No. TA82-1-6 (PGA82-1), Sea Robin Pipe Line Co.

CAG-10. Docket No. TA82-1-11 (PGA82-1), United Gas Pipe Line Co.

CAG-11. Docket No. TA82-1-59 (PGA82-1), Northern Natural Gas Co.

CAG-12. Docket No. TA82-1-9 (PGA82-1), Tennessee Gas Pipe Line Co.

CAG-13. Docket No. TA82-1-5 (PGA82-1), Midwestern Gas Transmission Co.

CAG-14. Docket No. TA82-1-2 (PGA82-1), East Tennessee Natural Gas Co.

CAG-15. Docket No. TA82-1-8 (PGA82-1), South Georgia Natural Gas Co.

CAG-16. Docket No. TA82-1-12 (PGA82-1), Distigas of Massachusetts

CAG-17. Docket No. TA82-1-1 (PGA82-1), Alabama Tennessee Natural Gas Co.

CAG-18. Docket No. TA82-1-10 (PGA82-1), Tennessee Natural Gas Lines Inc.

CAG-19. Docket No. TA82-1-7 (PGA82-1), Southern Natural Gas Co.

CAG-20. Docket No. TA82-1-17, Texas Eastern Transmission Corp.

- CAG-21. Docket No. TA82-1-13 (PGA82-1), Gas Gathering Corp.
- CAG-22. Docket No. CI81-339, CI81-340, and CI81-346, Southland Royalty Co. (successor to Shenandoah Oil Corp.); Docket No. CI81-499-000, Getty Oil Co.; Docket No. CI81-434-000, Mobil Producing Texas and New Mexico Inc.; Docket No. CI81-483-000, Arco Oil & Gas Co., Division of Atlantic Richfield Co.; Docket No. CI81-490-000, Transco Gas Supply Co.; Docket No. CI75-174-001, Texaco Inc.; Docket Nos. CI67-461-000, CI77-122-002, CI77-517-004, and CI77-47-002, Exxon Corp.; Docket No. CI81-497-000, Arco Oil & Gas Co., Division Atlantic Richfield Co.
- CAG-23. Docket No. CI73-639-002 and CI76-586-003, Arco Oil & Gas Co., Division of Atlantic Richfield Co.
- CAG-24. Docket No. CI65-584, Amoco Production Co.
- CAG-25. Docket No. G-17381-001, Kerr McGee Corp.
- CAG-26. Docket Nos. ST80-94-001, ST80-109-001, and ST82-17-000, Big Sandy Gas Corp.
- CAG-27. Docket No. TC81-52-000, City of Blountstown, Florida.
- CAG-28. Docket No. CP78-124, et al., Alaska Natural Gas Transportation System.
- CAG-29. Docket Nos. CP80-93, et al., Border Gas, Inc.
- CAG-30. Docket No. CP66-110 (CP66-121), et al., Midwestern Gas Transmission Co.; Docket No. CP66-112 (Docket Nos. CP66-110, et al.); Docket No. CP70-20 (Docket Nos. CP70-19, et al.); Docket Nos. CP71-223 (Docket Nos. CP71-222, et al.); Great Lakes Gas Transmission Co.; Docket No. CP66-110, et al., Great Lakes Gas Transmission Co.; Docket No. CP79-161, Midwestern Gas Transmission Co.; Docket No. CP79-169, Michigan Wisconsin Pipe Line Co.
- CAG-31. Docket No. CP81-251-000, Southern Natural Gas Co.
- CAG-32. Docket No. CP81-269-000, Transcontinental Gas Pipe Line Corp., United Gas Pipe Line Co., Michigan Wisconsin Pipe Line Co., National Fuel Gas Supply Corp.
- CAG-33. Docket No. CP81-342-000, Panhandle Eastern Pipe Line Co.
- CAG-34. Docket No. CP81-370-000, El Paso Natural Gas Co.
- CAG-35. Docket No. CP81-424-000, Michigan Wisconsin Pipe Line Co. and Great Lakes Gas Transmission.
- CAG-36. Docket No. CP81-500-000, Southwest Gas Corp.
- CAG-37. Docket Nos. CP69-222, CP70-185, and CP80-65-007, Tennessee Gas Pipeline Co., a Division of Tenneco Inc.; Docket No. CP80-260-002, Consolidated Gas Supply Corp.; Docket No. CP80-426, Granite State Gas Transmission, Inc.
- CAG-38. Docket No. CP81-331, Tennessee Gas Pipeline Co., a Division of Tenneco Inc.
- CAG-39. ICC Docket No. 35895 and ICC Docket No. 35895 (Sub. No. 1), Belle Fourche Pipeline Co., et al.

Power Agenda

I. Licensed Project Matters

- P-1. Project No. 2409, Calaveras County Water District.

II. Electric Rate Matters

- ER-1. (a) Docket No. ER81-653-000, Northern States Power Co. (Wisconsin); (b) Docket No. ER81-651-000, Northern States Power Co. (Minnesota).
- ER-2. Docket No. ER77-277, Pennsylvania Power Co., price squeeze (phase II).
- ER-3. Docket No. ER76-530, Arizona Public Service Co.
- ER-4. Docket Nos. EL79-8 and E-9558, Central Power Co., et al.
- ER-5. Docket No. EC81-15-000, CP National Corp. and Sierra Pacific Power Co.

Miscellaneous Agenda

- M-1. Docket No. RM82- , Power system statement.
- M-2. Reserved.
- M-3. Reserved.
- M-4. Docket No. RM80-69, Annual report of gas supply for certain natural gas pipelines: Form No. 15.
- M-5. Docket No. RM80-38, High-cost natural gas produced from wells drilled in deep water.
- M-6. Docket No. RM82- , High-cost natural gas produced from intermediate depths.
- M-7. Docket No. RM80-33, Final rules for part 270, Subpart B, sections 270.201, 270.202 and 270.204.
- M-8. Docket Nos. RA79-11 and RA80-121, Jack Halbert.

Regular Gas Agenda

I. Pipeline Rate Matters

- RP-1. Docket No. TA81-2-9-000 (PGA81-2, et al.), Tennessee Gas Pipeline Co., a Division of Tenneco Inc.
- RP-2. Docket No. TA81-2-17-002, Texas Eastern Transmission Corp.

II. Producer Matters

- CI-1. Docket No. RI74-188 and RI75-31, Independent Oil & Gas Association of West Virginia.

III. Pipeline Certificate Matters

- CP-1. Docket Nos. RP72-99 and TC79-6 (Compensation), Transcontinental Gas Pipe Line Corp.
- CP-2. Docket No. CP81-236-001, Northern Natural Gas Co., Division of Internorth, Inc.
- CP-3. Docket No. CP81-433-000, and CP81-433-001, Columbia Gas Transmission Corp.
- CP-4. (a) Docket No. CP80-520-003, Natural Gas Pipeline Co. of America; (b) Docket No. CP81-381-000, Northern Natural Gas Co., Division of Internorth, Inc.
- CP-5. (a) Docket No. CP81-221, Michigan Wisconsin Pipeline Co.; (b) Docket No. CP81-235-000, Northern Natural Gas Co.; Docket No. CP81-367-000, Transcontinental Gas Pipe Line Corp.
- CP-6. Omitted.
- CP-7. Docket No. CP82-73-000, Northwest Pipeline Corp.

Kenneth F. Plumb,
Secretary.

[S. 1904-81 Filed 12-17-81; 11:05 am]
BILLING CODE 6450-85-M

3

FEDERAL HOME LOAN BANK BOARD
"FEDERAL REGISTER" CITATION OF
PREVIOUS ANNOUNCEMENT: Vol. No. 46,
no issue number at this time. No page
number at this time. Date published,
Friday, December 18, 1981.

**PREVIOUSLY ANNOUNCED TIME AND DATE
OF MEETING:** 10 a.m., Tuesday, December
22, 1981.

PLACE: 1700 G Street, N.W., board room
sixth floor, Washington, D.C.

STATUS: Open meeting.

**CONTACT PERSON FOR MORE
INFORMATION:** Mr. Marshall (202-377-
6679).

CHANGES IN THE MEETING: The following
items have been added to the open
portion of the Bank Board meeting.

Branch Office Application—First Federal
Savings and Loan Association of Ottawa,
Ottawa, Illinois
Proposed Acquisition and Merger—Columbia
Savings Association, Emporia, Kansas and
Western Savings Association, Pratt,
Kansas.

No. 578, December 17, 1981.

[S. 1906-81 Filed 12-17-81; 3:40 pm]

BILLING CODE 6720-01-M

4

SECURITIES AND EXCHANGE COMMISSION
"FEDERAL REGISTER" CITATION OF
PREVIOUS ANNOUNCEMENT: To be
published.

STATUS: Closed/open meetings.

PLACE: Room 825, 500 North Capitol
Street, Washington, D.C.

DATE PREVIOUSLY ANNOUNCED: Tuesday,
December 8, 1981.

CHANGES IN THE MEETING: Additional
items; the following additional item will
be considered at a closed meeting
scheduled for Wednesday, December 16,
1981, at 2:30 p.m.

Settlement of injunctive action.

The following additional item will be
considered at an open meeting
scheduled for Thursday, December 17,
1981, at 10:00 a.m.

Consideration of whether to submit to
Congress a proposed amendment to the
Securities Exchange Act to obtain authority
to accept payment or reimbursement from
non-federal sources for travel by members
and employees under certain
circumstances. For further information,
please contact Myrna Siegel at (202) 272-
2430.

The following additional items will be
considered at a closed meeting
scheduled for Thursday, December 17,
1981, following the 10:00 a.m. open
meeting.

Settlement of administrative proceeding of an enforcement nature.

Settlement of injunctive actions.

Freedom of Information Act appeal.

Investigative matter.

Chairman Shad and Commissioners Loomis, Evans, Thomas, and Longstreth determined by vote that Commission business required consideration of these matters and that no earlier notice thereof was possible.

At times changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: Paul Siegelbaum at (202) 272-2468.

December 16, 1981.

[S-1903-81 Filed 12-16-81; 4:24 pm]

BILLING CODE 8010-01-M

5

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

TIME AND DATE: 10 a.m. on January 7, 1982.

PLACE: Room 1101, 1825 K Street, N.W., Washington, D.C.

STATUS: Because of the subject matter, it is likely that this meeting will be closed.

MATTERS TO BE CONSIDERED: Discussion of specific cases in the Commission adjudicative process.

CONTACT PERSON FOR MORE

INFORMATION: Mrs. Patricia Bausell (202) 634-4015.

Dated: December 17, 1981.

[S-1907-81 Filed 12-17-81; 4:13 pm]

BILLING CODE 7600-01-M

6

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

TIME AND PLACE: 10 a.m. on January 14, 1982

PLACE: Room 1101, 1825 K Street, N.W., Washington, D.C.

STATUS: Because of the subject matter, it is likely that this meeting will be closed.

MATTERS TO BE CONSIDERED: Discussion of specific cases in the Commission adjudicative process.

CONTACT PERSON FOR MORE

INFORMATION: Mrs. Patricia Bausell (202) 634-4015.

Dated: December 17, 1981.

[S. 1908-81 Filed 12-17-81; 4:16 pm]

BILLING CODE 7600-01-M

7

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION.

TIME AND DATE: 10 a.m. on January 21, 1982.

PLACE: Room 1101, 1825 K Street, N.W., Washington, D.C.

STATUS: Because of the subject matter, it is likely that this meeting will be closed.

MATTERS TO BE CONSIDERED: Discussion of specific cases in the Commission adjudicative process.

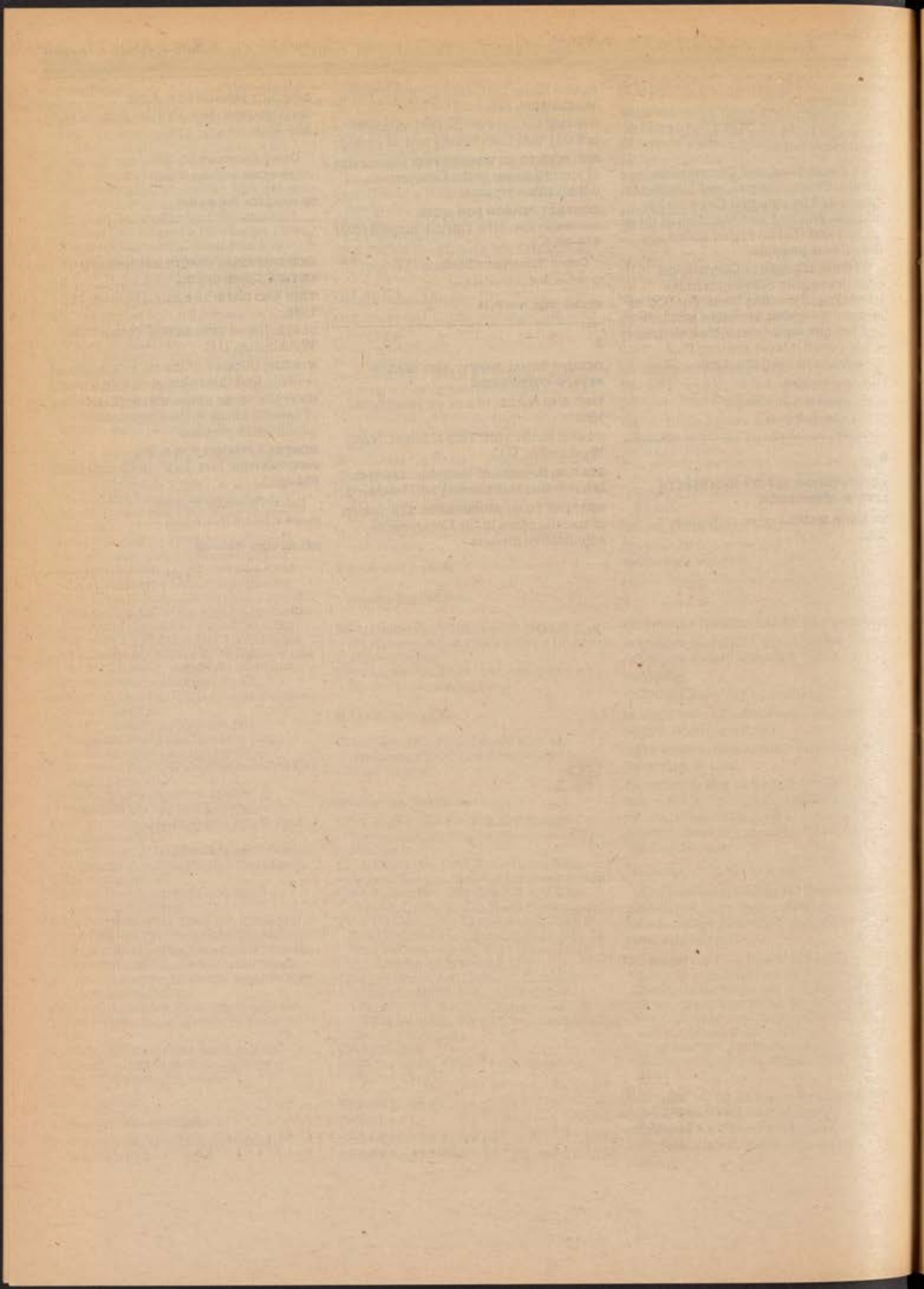
CONTACT PERSON FOR MORE

INFORMATION: Mrs. Patricia Bausell (202) 634-4015.

Dated: December 17, 1981.

[S-1909-81 Filed 12-17-81; 4:16 pm]

BILLING CODE 7600-01-M



Federal Register

Monday
December 21, 1981

Part II

Department of Agriculture

Farmers Home Administration

**Revision and Redesignation of Section
502, Rural Housing Loan Policies,
Procedures and Authorizations**

DEPARTMENT OF AGRICULTURE

Farmers Home Administration

7 CFR Ch. XVIII

Revision and Redesignation of Section 502, Rural Housing Loan Policies, Procedures and Authorizations

AGENCY: Farmers Home Administration, USDA.

ACTION: Final rule.

SUMMARY: The Farmers Home Administration redesignates and revises its regulations regarding Section 502, Rural Housing Loan Policies, Procedures, and Authorizations. The action is taken to conform with general administrative restructuring of the Agency's regulations, the Housing and Community Development Amendments of 1979 (Pub. L. 96-153), the Housing and Community Development Act of 1980 (Pub. L. 96-399), and the Omnibus Budget Reconciliation Act of 1981. The action clarifies and updates the regulation, revises income limitations, and will facilitate and improve the administration of services provided by the program.

DATES: Effective date: December 21, 1981. Written comments must be received on or before February 19, 1982.

ADDRESSES: Submit written comments in duplicate to the Chief, Directives Management Branch, Farmers Home Administration, Room 6348, South Agriculture Building, 14th and Independence Avenue SW., Washington, DC 20250. All written comments made pursuant to this notice will be available for public inspection at the above address.

FOR FURTHER INFORMATION CONTACT: Daryl L. Grove, Director, Single Family Housing Loan Division, Farmers Home Administration, USDA, Room 5345, South Agriculture Building, 14th and Independence Avenue, SW., Washington, DC 20250, Telephone: 202-382-1479.

A copy of the final regulatory impact analysis is available upon request from the Office of the Chief, Directives Management Branch, Farmers Home Administration, USDA, Room 6348, South Agriculture Building, 14th and Independence Avenue, S.W., Washington, DC 20250.

SUPPLEMENTARY INFORMATION: This final rule has been reviewed under USDA procedures established in Secretary's Memorandum No. 1512-1 which implements Executive Order 12291 and has been classified as "major". This regulation has been determined "major" due to the economic

impact of the statutorily mandated amendment to the income limits. The consequence of this action is that the percentage of the rural population with incomes below the new area limits will be about the same in different areas of the country. It will cause a shift of the program away from the traditionally low-income areas of the country. A further consequence will be eligibility differences near area boundaries. Another reason for this being determined a major rule is the deletion of the previously proposed Moderate Income Interest Credit Program. There will not be any significant adverse effects on competition, employment, investments, productivity, innovation, or on the ability of United States enterprises to compete with foreign-based enterprises in domestic or export markets.

Memorandum of Law

Subject: Federal Register document for 7 CFR 1944—Subpart A, Section 502, Rural Housing Loan Policies, Procedures, and Authorizations.

The changes to FmHA regulations proposed by this Federal Register document have been reviewed by the Office of the General Counsel and determined to be within the scope of FmHA authority. The provisions in Subpart A of Part 1944 are consistent with FmHA's authority to make and insure loans at 42 U.S.C. 1471 et seq. The Secretary's general rulemaking and delegation authority for Part 1944 is furnished by 42 U.S.C. 1480(j).

A. James Barnes,
General Counsel.

This document has been reviewed in accordance with 7 CFR Part 1901, Subpart G, "Environmental Impact Statements." It is the determination of FmHA that it does not constitute a major Federal action significantly affecting the quality of the human environment and in accordance with the National Environmental Policy Act of 1969, Pub. L. 91-190, an Environmental Impact Statement is not required.

Summary of Final Regulatory Impact Analysis

This action is being taken to facilitate the delivery of FmHA services to applicants, borrowers, and other intended beneficiaries by reducing unnecessary administrative and regulatory burdens on those parties and the Agency. These changes will bring the Section 502 regulation into compliance with the most recent amendments to the Housing Act of 1949. The two topics discussed in the analysis are:

1. Revision of definition of Low Income for Section 502, 504 and approved 515 borrowers.

2. Interest Credit (subsidy) to Moderate-Income Borrowers.

Low Income Definition

A change to the definition is required by Pub. L. 96-153. The program currently serves an income group which is below the 80 percent of median income which is mandated by the amendments. Additionally, it is required that income limits be designated by area. The analysis discusses various consequences of the proposal and examines alternative approaches to meeting the requirements. Based on a cost-benefit analysis and the requirements of the law, the option incorporated in this regulation was selected.

Moderate Income Interest Credit

The January 19, 1981, publication of Part 1944, Subpart A contained a provision for providing interest credit to moderate-income borrowers. The analysis provides a historical overview of housing costs as they affect the ability of moderate-income borrowers to obtain adequate housing. It was decided not to grant interest credit to moderate-income borrowers because the Agency, by redefining moderate income, increases the income level served to a point where sufficient applicants can afford housing without a subsidy.

There is no impact on proposed budget levels, and funding allocations will not be affected because of this action.

On January 19, 1981, the Farmers Home Administration published a final rule at 46 FR 4681 implementing this regulation which was to be effective March 20, 1981. The January 19, 1981, publication discusses in detail comments received in response to the February 14, 1980, notice of proposed rulemaking (45 FR 10240). This action was suspended for study and evaluation under Executive Order 12291 by notice given at 46 FR 11501 dated February 9, 1981. The study and evaluation are now completed.

This Part 1944, Subpart A is identical to the January 19, 1981, publication from a policy viewpoint with the following exceptions:

(1) The application processing priority system provided for in the January 19, 1981, publication has been eliminated and the Agency has retained the existing application processing method with revision to give priority for refinancing and servicing actions. Other editorial and procedural changes are

made which do not significantly affect applicants, borrowers, Government costs, or firms or persons benefiting from FmHA programs. FmHA has decided not to implement this provision because:

(a) The initial estimate of administrative times involved was seriously underestimated. This is due to the fact that much of the information needed to rate the applicant would be collected by an additional interview or personal inspection of the existing housing condition.

(b) The system would have required the constant shuffling of applications based on the number of points assigned.

(c) Time saving techniques such as loan packaging and conditional commitments would be reduced in effectiveness.

(2) Exhibit C. Maximum adjusted income for Rural Housing programs. The following changes are being made to the income limits set out in the January 19, 1981, publication:

The basic income data source used in both the January 19, 1981, rule and this rule was HUD's decile distribution of income. Since HUD data was updated in June of 1981, the changes in median incomes are reflected in this final rule. Two other changes were made to the rule published in January. First, all income limits were rounded to the next high \$500. This rounding was done because the change in any particular limit is relatively insignificant; while the elimination of numerous differing limits lessens the administrative burden. Second, the moderate-income level was changed to a constant dollar amount over low income. In the previous rule moderate income was 110 percent of area median, \$4,400 over low income or \$15,600, whichever was greatest.

The low- and moderate-income limits as set forth in Exhibit C are:

(a) Low income is 80 percent of area median but not less than 60 percent or greater than 80 percent of the non-metro census regional income with some adjustment for housing cost, and

(b) Moderate income is \$5,500 over the low-income level.

(3) Granting of Interest Credits to Moderate-Income Borrowers.

The Agency is withdrawing that part of the regulation that would have granted interest credits to moderate-income applicants. This action is taken because the law mandating the granting of interest credits to moderate-income borrowers was changed to a discretionary provision. The Secretary has determined that interest credits are not necessary to enable moderate-income borrowers to afford adequate housing.

Further, the current under-utilization of the moderate-income program is not an indication that subsidy is needed by this income group, but was caused by an Agency definition of moderate income that included mostly low-income families. Therefore, it is determined that sufficient numbers of moderate-income families can qualify for homeownership under the revised income limits without the providing of interest credits.

This regulation does not directly affect any FmHA programs or projects which are subject to A-95 clearinghouse review.

CFDA No. 10.410—Low to Moderate Income Housing Loans (Rural Housing Loans—Section 502-Insured).

Since all significant changes to the January 19, 1981, publication either result from an updating of data or a change in statutory language or revert to the existing procedure, FmHA is not again publishing this document as a proposed rule.

FmHA is, however, accepting and will consider for future revisions, any comments regarding income limits, the withdrawal of the priority processing of applications and the withdrawal of the interest credit to moderates proposal. Office of Management and Budget clearance number 0575-0059.

Therefore, Chapter XVIII is amended as follows:

SUBCHAPTER B—LOANS AND GRANTS PRIMARILY FOR REAL ESTATE PURPOSES

PART 1822—RURAL HOUSING LOANS AND GRANTS

Subpart A—Section 502, Rural Housing Loan Policies, Procedures, and Authorizations [Removed]

1. Subpart A of Part 1822 is hereby removed from the Code of Federal Regulations.

Subpart B—Section 502, Rural Housing Weatherization Loans

§ 1822.21 [Amended]

2. In § 1822.21, lines 13, 14, 15, 16, 17, and 18 change the reference from "§ 1822.3 (c), and (d), and § 1822.5 (FmHA Instruction 444.1, paragraphs III C and D and paragraph V). Section 1822.3 (e), (n), (o), and § 1822.4 (FmHA Instruction 444.1, paragraph III E, N, and O, and paragraph IV)" to "§ 1944.2(m), §§ 1944.10 and 1944.26(f) of Part 1944 Subpart A. Sections 1944.8, 1944.9 and 1944.15 of Part 1944, Subpart A".

§ 1822.25 [Amended]

3. In § 1822.25(a), line 10, change the reference from "1822" to "1944". Exhibit A [Amended]

Exhibit A to Subpart B [Amended]

4. In paragraph A.1., line 9, change the reference from "7 CFR 1822.3 (c)" to "7 CFR 1944.10".

5. In paragraph A.2., lines 3 and 4, change the reference from "this part, available in any FmHA office" to "Part 1944."

Subpart G—Rural Housing Site Loan Policies, Procedures, and Authorizations

§ 1822.263 [Amended]

6. In § 1822.263(c), line 2, change the reference from "§ 1822.3(c)" to "§ 1944.10 of Part A".

§ 1822.267 [Amended]

7. In § 1822.267(l)(1), lines 1 and 2, change the reference from "Subpart H of Part 1822" to "§ 1944.45 of Part 1944, Subpart A".

Subpart H—Rural Housing Conditional Commitments [Removed]

8. Part 1822 Subpart H is hereby removed from the Code of Federal Regulations.

SUBCHAPTER F—SECURITY SERVICING AND LIQUIDATIONS

PART 1872—REAL ESTATE SECURITY

Subpart A—Servicing and Liquidation of Real Estate Security for Loans to Individuals and Certain Note-Only Cases

§ 1872.18 [Amended]

9. In § 1872.18(b)(14), line 12, change the reference from "1822 of Subchapter B" to "1944."

§ 1872.23 [Amended]

10. In § 1872.23, line 1, change the reference from "§ 1822.3(e)" to "§ 1944.2(e) of Part 1944 Subpart A".

SUBCHAPTER H—PROGRAM REGULATIONS

PART 1904—LOAN AND GRANT PROGRAMS (INDIVIDUAL)

Subpart G—Section 504, Rural Housing Loans and Grants

§ 1904.301 [Amended]

11. In § 1904.301, lines 10 and 11, change the reference from "Part 1822 of this Chapter (FmHA Instruction 444.1)" to "Part 1944".

§ 1904.304 [Amended]

12. In § 1904.304(a), lines 6 and 7, change the reference from "Part 1822 of this Chapter, (FmHA Instruction 444.1)" to "Part 1944".

13. In § 1904.304(a)(2), lines 8, 9 and 10, change the reference from "§ 1822.4(d) and § 1822.12(d) of this Chapter (Paragraph IV D and XII D of FmHA Instruction 444.1)" to "§§ 1944.8(a)(2)(ii) and 1944.30(b)(7) of Part 1944 Subpart A".

§ 1904.305 [Amended]

14. In § 1904.305(g), lines 2, 3 and 4, change the reference from "§ 1822.6(a)(14) of this Chapter, (Paragraph VI A 14 of FmHA Instruction 444.1)" to "§ 1944.3(b) (9) and (10) of Part 1944 Subpart A".

§ 1904.306 [Amended]

15. In § 1904.306(d) lines 3, 4, and 5 change the reference from "§ 1822.12(d) of this Chapter (Paragraph XII D of FmHA Instruction 444.1)" to "1944.30(b)(7) of Part 1944 Subpart A".

PART 1910—GENERAL

Subpart B—Credit Reports (Individual)

§ 1910.53 [Amended]

16. In § 1910.53, lines 9, 10, 11 and 12, change the reference from "§ 1822.12(d), Subpart A, Part 1822, Subchapter B of this Chapter (Paragraph XII D of FmHA Instruction 444.1)" to "§ 1944.30(b)(7) of Part 1944 Subpart A".

PART 1924—CONSTRUCTION AND REPAIR

Subpart A—Planning and Performing Construction and Other Development

§ 1924.5 [Amended]

17. In § 1924.5(i) lines 5, 6, 7, 8 and 22, 23 and 24 change the reference from "FmHA Instruction 444.2 (available in all FmHA offices) and Subpart H of Part 1822 of this Chapter (FmHA Instruction 444.9)" to "Part 1944 Subpart A" and from "Subparts A and D of Part 1822 of this chapter (FmHA Instructions 444.1 and 444.5)" to "Part 1944, Subparts A and E".

§ 1924.6 [Amended]

18. In § 1924.6(c) lines 6 and 7, change the reference from "Exhibit A of FmHA Instruction 444.1 (available in any FmHA office)" to "Exhibit G of Part 1944 Subpart A".

Exhibit B to Subpart A [Amended]

19. In paragraph VI A. 8., lines 9, 10 and 11, change the reference from "FmHA Instruction 444.1, paragraph VII

B 1, which is available in all FmHA offices" to "§ 1944.16 of Part 1944 Subpart A".

PART 1930—GENERAL

Subpart C—Management and Supervision of Multiple Family Housing Borrowers and Grant Recipients

Exhibit B to Subpart C [Amended]

20. In paragraph II Q., lines 3, 4, and 5, change the reference from "Exhibit C of Subpart A of Part 1822 (FmHA Instruction 444.1)" to "Part 1944 Subpart A".

21. In paragraph II R, lines 3, 4, and 5, change the reference from "Exhibit D of Subpart A of Part 1822 (FmHA Instruction 444.1)" to "Part 1944 Subpart A".

PART 1933—LOAN AND GRANT PROGRAM (GROUP)

Subpart I—Self-Help Technical Assistance Grants

§ 1933.403 [Amended]

22. In § 1933.403(j), lines 2, 3, and 4, change the reference from "§ 1822.3(c) of this chapter (FmHA Instruction 444.1)" to "§ 1944.10 of Part 1944 Subpart A".

PART 1943—FARM OWNERSHIP, SOIL AND WATER AND RECREATION

Subpart A—Insured Farm Ownership Loan Policies, Procedures, and Authorizations

§ 1943.24 [Amended]

23. In § 1943.24(b)(2) lines 9, 10 and 11, change the reference from "Part 1822 of this Chapter (FmHA Instruction 444.1)" to "Part 1944".

PART 1944—HOUSING

Subpart D—Farm Labor Loan Housing and Grant Policies, Procedures and Authorizations

§ 1944.153 [Amended]

24. In § 1944.153(e), lines 4 and 5, change the reference from "Subpart A of Part 1822 of this Chapter (FmHA Instruction 444.1)" to "Part 1944 Subpart A".

§ 1944.164 [Amended]

25. In § 1944.164(j)(2)(ii) lines 2, 3, 4 and 5, change the reference from "Subpart A of Part 1822 and Subpart D of Part 1804 of this Chapter (FmHA Instruction 444.1 and 424.5)" to "Part 1804 Subpart D (FmHA Instruction 424.5) and Part 1944 Subpart A".

26. In § 1944.164(n), lines 5, 6, 7 and 8, change reference from "§ 1822.7(j) of Subpart A of Part 1822 of this Chapter (FmHA Instruction 444.1, paragraph VII J)" to "§ 1944.18(b)(5) of Part 1944 Subpart A".

§ 1944.168 [Amended]

27. In § 1944.168(c)(1)(ii) lines 3, 4, 5 and 6, change the reference from "Section 1822.10(b)(2) of Subpart A of Part 1822 of this Chapter (paragraph X B 2 of FmHA Instruction 444.1)" to "§ 1944.18(b)(6) of Part 1944 Subpart A".

Subpart E—Rural Rental Housing Loan Policies, Procedures, and Authorizations

§ 1944.205 [Amended]

28. In § 1944.205(d) change the reference from "Exhibits C and D of Subpart A of Part 1822, (Farmers Home Administration (FmHA) Instruction 444.1)" to "Exhibit C of Part 1944 Subpart A".

29. In § 1944.205(l) change the reference from "§ 1822.3(c) of Subpart A to Part 1924 (paragraph III C of FmHA Instruction 444.1)" to "§ 1944.10 of Part 1944 Subpart A".

§ 1944.215 [Amended]

30. In § 1944.215(i)(1) change the reference from "Exhibits C and D of Subpart A to Part 1822, (FmHA Instruction 444.1)" to "Exhibit C of Part 1944 Subpart A".

§ 1944.222 [Amended]

31. In § 1944.222(b) change the reference from "Part 1807 and Subpart A of Part 1822 of this Chapter (FmHA Instructions 427.1 and 444.1, respectively)" to "Subpart A of Part 1944 and Part 1807 of this chapter (FmHA Instruction 427.1)".

Subpart K—Technical and Supervisory Assistance Grants

§ 1944.506 [Amended]

32. In § 1944.506(d), lines 5, 6 and 9, 10 and 11 change the reference from "§ 1822.3(o) of this Chapter (FmHA Instruction 444.1, paragraph III O)" to "§ 1944.2(b) of Part 1944 Subpart A", and from "1822 of this chapter (Exhibit C of FmHA Instruction 444.1)" to "1944."

33. In § 1944.506(f), lines 2, 3 and 4, change the reference from "§ 1822.3(c) of Subpart A of Part 1822 of this Chapter (paragraph III C of FmHA Instruction 444.1)" to "§ 1944.10 of Part 1944 Subpart A".

PART 1945—EMERGENCY**Subpart B—Emergency Loan Policies, Procedures, and Authorizations for Those Applications Associated With Disaster Designations Having a Beginning Incidence Period Date Prior to May 26, 1981****§ 1945.89 [Amended]**

34. In § 1945.89(a)(2)(ii), lines 8 and 9, change the reference from "1822 of this Chapter (FmHA Instruction 444.1)" to "1944, Subpart A".

Subpart C—Economic Emergency Loans**§ 1945.129 [Amended]**

35. In § 1945.129(b)(2)(i)(D), lines 8 and 9 change the reference from "Part 1822 of this Chapter (FmHA Instruction 444.1)" to "1944".

PART 1945—EMERGENCY**Subpart D—Emergency Loan Policies, Procedures and Authorizations for Applications Associated With FmHA Disaster Designations Having a Beginning Incidence Period Date on or After May 26, 1981****§ 1945.189 [Amended]**

36. In § 1945.189, paragraph (a)(2)(ii), change the reference from "Subpart A of Part 1822 of this Chapter (FmHA Instruction 444.1)" to "Part 1944 Subpart A".

PART 1948—RURAL DEVELOPMENT**Subpart B—Section 601—Energy Impacted Area Development Assistance Program****§ 1948.84 [Amended]**

37. In § 1948.84(d)(2), lines 8 and 9, change the reference from "Part 1822 Subpart A (FmHA Instruction 444.1)" to "Part 1944 Subpart A".

PART 1951—SERVICING AND COLLECTIONS**Subpart A—Account Servicing Policies****§ 1951.17 [Amended]**

38. In § 1951.17(a)(2)(i)(B), lines 4, 5 and 6, change the reference from "§ 1822.3(n) of Subpart A of Part 1822 of this Chapter (paragraph N of FmHA Instruction 444.1)" to "§ 1944.2(c) of Part 1944 Subpart A".

39. In § 1951.17(b)(1)(i), lines 2, 3, 4, change the reference from "§ 1822.11(c) of Subpart A of Part 1822 of this Chapter (Paragraph XI C of FmHA Instruction 444.1)" to "§ 1944.26(c) of Part 1944 Subpart A".

40. In § 1951.17(b)(6), lines 8, 9 and 10, change the reference from "Exhibit E Subpart A of Part 1822 of this Chapter

(FmHA Instruction 444.1)" to "§ 1944.34 of Part 1944 Subpart A".

PART 1980—GENERAL**Subpart D—Rural Housing Program Loans****§ 1980.302 [Amended]**

41. In § 1980.302(a), lines 5 and 6, change the reference from "Exhibit D to Part 1822, Subpart A (FmHA Instruction 444.1, Exhibit D)" to "Exhibit C of Part 1944 Subpart A".

§ 1980.305 [Amended]

42. In § 1980.305, lines 3, 4, 5 and 6, change the reference from "§ 1822.3(c) of Subpart A of Part 1822 of this Chapter (FmHA Instruction 444.1, paragraph III C)" to "§ 1944.10 of Part 1944 Subpart A".

§ 1980.330 [Amended]

43. In § 1980.330(h)(1), lines 6, 7 and 8, change the reference from "D to Subpart A Part 1822 of this Chapter (FmHA Instruction 444.1, Exhibit D)" to "C to Subpart A, Part 1944 of this chapter."

PART 1944—HOUSING**Subpart A—Section 502, Rural Housing Loan Policies, Procedures and Authorizations**

44. As added, Part 1944, Subpart A reads as follows:

Subpart A—Section 502 Rural Housing Loan Policies, Procedures, and Authorizations**Sec.**

- 1944.1 General.
- 1944.2 Definitions.
- 1944.3 Loan purposes.
- 1944.4 Loan restrictions.
- 1944.5-1944.7 [Reserved]
- 1944.8 Income eligibility requirements.
- 1944.9 Other eligibility requirements.
- 1944.10 Rural area designation.
- 1944.11 Property requirements.
- 1944.12-1944.14 [Reserved]
- 1944.15 Ownership requirements.
- 1944.16 Building requirements.
- 1944.17 Maximum loan amounts.
- 1944.18 Security requirements.
- 1944.19-1944.21 [Reserved]
- 1944.22 Refinancing debts.
- 1944.23 Loans to Farm Ownership (FO), Individual Soil and Water (SW), and Recreation (RL) borrowers.
- 1944.24 Technical services.
- 1944.25 Rates, terms, and source of funds.
- 1944.26 Application processing.
- 1944.27-1944.29 [Reserved]
- 1944.30 Preparation of loan docket.
- 1944.31 Loan approval.
- 1944.32 Actions subsequent to loan approval.
- 1944.33 Loan closing.
- 1944.34 Interest credit.
- 1944.35-1944.36 [Reserved]
- 1944.37 Subsequent Section 502 loans.

- 1944.38 Mutual self-help housing loans.
- 1944.39 RH loans to FmHA employees and loan closing officials.
- 1944.40 Rural Housing Disaster (RHD) loans.

1944.41-1944.43 [Reserved]

1944.44 Borrower graduation.

1944.45 Conditional Commitments.

1944.46 Construction financing for builders by private credit sources.

1944.47-1944.50 [Reserved]

Exhibit A—Information required to package applications for Section 502 rural housing loans.

Exhibit B—Addresses for authentication of alien registration cards.

Exhibit C—Maximum adjusted incomes for rural housing programs.

Exhibit D—Rural housing applicant interview.

Exhibit E—Sample letter to applicant when loan funds are depleted and long delays are expected in application processing.

Exhibit F—Interest credit agreement renewal.

Exhibit G—Mutual self-help housing guidelines.

Exhibit G-1—Membership agreement.

Exhibit G-2—Promissory note.

Authority: 42 U.S.C. 1480; 7 CFR 2.23; 7 CFR 2.70.

Subpart A—Section 502 Rural Housing Loan Policies, Procedures, and Authorizations**§ 1944.1 General.**

This subpart sets forth the policies and procedures and delegates authority for making Section 502 Rural Housing (RH) loans to individuals under Title V of the Housing Act of 1949, as amended. The objective of Section 502 loans is to provide eligible persons who will live in rural areas an opportunity to obtain adequate but modest, decent, safe, and sanitary dwellings and related facilities. The requirements of Farmers Home Administration (FmHA) Instruction 1901-E will be applied as appropriate. Loans and services provided under this Subpart shall not be denied to any person or applicant based on race, sex, national origin, color, religion, marital status, age, physical or mental handicap (applicant must possess the capacity to enter into a legal contract for services), receipt of income from public assistance, or because the applicant has, in good faith, exercised any right under the Consumer Protection Act.

§ 1944.2 Definitions.

The following definitions apply to this Subpart:

(a) *Above-moderate income.* An adjusted annual income that exceeds the maximum limit for moderate-income households as provided in Exhibit C of this Subpart.

(b) *Adjusted annual income.* Annual income as defined in paragraph (c) of

this section less 5 percent thereof and less an additional \$300 for each dependent minor person (excluding the applicant and foster children) who is a member of the household.

(c) *Annual income.* Planned income to be received by the applicant, and all adult members of the household during the next twelve months. Income to be projected for the next 12 months will include wage increases which can reasonably be expected based on known facts or historical data. See § 1944.8(c) for supplemental rules on determining annual income.

(d) *Cosigner.* A party who joins in the execution of a promissory note to guarantee its repayment by the borrower. The cosigner becomes jointly and severally liable to comply with the terms of the note in the event of the borrower's default.

(e) *County Supervisor.* Includes Assistant County Supervisor for all duties and responsibilities which are included in the employee's job description and for authorizations which have been delegated in writing in accordance with FmHA Instruction 2006-F (available in any FmHA office). For the areas of Alaska and the Western Pacific Territories it also includes the Area Supervisor.

(f) *Existing dwelling.* One which is (1) more than 1 year old, or (2) previously occupied as a residence.

(g) *Extended family.* A family unit consisting of parents, children and other relatives who will live together on a permanent basis as a part of the household.

(h) *Farm.* Includes the total acreage of one or more tracts of land which (1) is owned by the applicant, (2) is operated as a single unit, (3) is in agricultural production, and (4) annually will produce agricultural commodities for sale and home use with a gross value of at least \$400 based on 1944 prices. To aid in estimating the gross annual value of agricultural commodities produced on a particular farm, a State Supplement will be issued listing the 1944 prices for the principal farm commodities in the State.

(i) *Household.* The applicant and all other persons who will make the applicant's dwelling their primary residence for all or part of the next 12 months.

(j) *Low income.* An adjusted annual income that does not exceed the maximum limit for low-income households as provided in Exhibit C of this Subpart

(k) *Moderate income.* An adjusted annual income that does not exceed the maximum limit for moderate-income

households as provided in Exhibit C of this subpart.

(l) *Nonfarm tract.* A parcel of land that is not a farm and is located in a rural area, or a building site that is part of a farm, and which secures an RH loan in accordance with § 1944.18(b)(10).

(m) *Place.* An area containing a concentration of inhabitants within a determinable unincorporated area.

(n) *Rehabilitation.* Major repairs and improvements to existing dwellings such as the installation or completion of bathroom facilities, installation of major items of equipment, additions, or structural changes.

(o) *Senior citizen.* A "senior citizen" is a person who is 62 years of age or older.

(p) *Town.* A "town" means a municipality similar to a city but not a New England-type town which resembles a township or county in most States.

(q) *Urban area.* Either a town, village, city, place or any associated combination thereof, which with the immediately adjacent densely settled areas has a population in excess of the limits prescribed in § 1944.10 (a)(2) (i) and (ii).

§ 1944.3 Loan purposes.

(a) A loan may be made to an eligible applicant for the following purposes:

(1) To buy, build, rehabilitate, improve or relocate a dwelling and provide related facilities for use by the applicant as a permanent residence.

(2) To buy, build, rehabilitate, improve or relocate a dwelling, and provide related facilities for a farm owner to provide housing to be occupied by the farm manager, tenants, sharecroppers or farm laborers.

(3) To refinance secured debts or unsecured debts as provided in § 1944.22.

(b) A loan made under § 1944.3(a) (1) or (2) may be used to:

(1) Purchase, in fee title, a minimum adequate site, as outlined in § 1944.11(c) on which the improvements are or will be located, if the applicant does not own an adequate site.

(2) Pay reasonable acquisition cost for a leasehold interest in a minimum adequate site at the time of making the initial RH loan.

(3) Provide an adequate and safe water supply and/or an adequate sewage disposal facility.

(4) Provide site preparation, including grading, foundation plantings, seeding or sodding of lawns, trees, walks, yard fences and driveways to building sites.

(5) Purchase and install essential equipment in the dwelling including items such as a range, refrigerator, clothes washer or clothes dryer, if these

items are normally sold with dwellings in the area and if purchase of these items is not the primary purpose of the loan.

(6) Provide special design features or equipment when necessary because of physical handicap or disability of the applicant or a member of the household.

(7) Purchase and install approved solar systems and approved furnaces and space heaters which use a type of fuel that is commonly used, and is economical and dependably available.

(8) Provide storm cellars, and similar protective structures.

(9) Pay incidental expenses such as fees for credit reports, tax monitoring service, legal, title clearance, loan closing, architectural, surveying and other technical services.

(10) Pay reasonable connection fees for utilities such as water, sewer, electricity or gas, which are required to be paid by the borrower and which cannot be paid from other funds.

(11) Pay the borrower's share of Social Security taxes for labor hired by the borrower in connection with making the planned improvements.

(12) Pay real estate taxes which are due and payable on the building and/or site at the time of closing on an initial loan, if this amount is not a substantial part of the loan.

(13) Establish escrow accounts for the payment of real estate taxes or property insurance premiums in those states where the use of escrow accounts is authorized by the National Office.

(14) Provide living area for all members of the applicant's household, including "extended family," as provided in § 1944.16(a)(5).

(15) Pay part of the cost of constructing, remodeling, repairing or buying a domestic water system or waste disposal system, provided that the following conditions are met, unless exceptions are authorized by the National Office:

(i) The facility must be jointly owned and used by not more than 10 participants.

(ii) The domestic water or waste disposal system cannot be provided with a Community Facilities loan.

(iii) The group must act as individuals and not as a legal entity such as a partnership, corporation or association.

(iv) The facility will be located in a rural area and will be used only for normal home use.

(v) The applicant will give FmHA a mortgage as required in § 1944.18(a), including the applicant's interest in the system if it is practical to mortgage the system. The interest of any co-owners of the jointly owned facility who are not

applicants may be excluded from the mortgage on prior approval by the State Director, as provided in § 1944.18(b)(8).

(vi) The owners have written agreements as to the construction, use, maintenance and repair of the facility and obtain necessary jointly owned easements.

(vii) The facility will cost not more than \$50,000 or have a depreciated replacement value that does not exceed \$50,000 if such facility is being purchased, enlarged, or improved.

(viii) All funds to be used to finance construction or installation of the joint facility will be deposited in a supervised bank account.

§ 1944.4 Loan restrictions.

(a) Loan funds may not be used to:

(1) Buy or improve income-producing land, or buildings to be used for income-producing purposes or buildings not essential for RH purposes.

(2) Pay fees, charges or commissions such as finders' fees, fees for packaging the application or placement fees for the referral of prospective applicants to FmHA.

(b) A loan will not be made to an applicant whose previous FmHA debts have been settled pursuant to Part 1864 of this Chapter (FmHA Instruction 456.1) or by release from personal liability under Subpart G of Part 1951 of this chapter as reflected by the County Office records, or where settlement under such regulation is contemplated, unless failure to pay the indebtedness was the result of circumstances beyond the applicant's control, or the conditions which necessitated the debt settlement or release, other than weather hazards, disasters, or price fluctuations, have been removed or will be removed by making the loan. Before approving the property or causing such an applicant to incur any expense in connection with the loan the County Supervisor will complete Form FmHA 431-2, "Farm and Home Plan," or Form FmHA 431-3, "Family Budget," and send it with the application, any available case folders, and recommendations to the State Office for a determination as to whether to proceed with the development of the loan docket.

(c) Loans will not be made to a homestead entryman or desert entryman to improve the entry prior to receipt of patent.

§§ 1944.5-1944.7 [Reserved]

§ 1944.8 Income eligibility requirements.

(a) An applicant is eligible for a Section 502 loan only if the following requirements are met:

(1) The adjusted annual income of the applicant's household as defined in § 1944.2(b) does not exceed the applicable income limit in Exhibit C. Exceptions to this requirement may be authorized by the State Director in accordance with § 1944.33 (a) or (b), or by the National Office.

(2) Repayment ability as provided in § 1944.26(e), is demonstrated in the following manner:

(i) The applicant has adequate and dependably available income. The determination of income dependability will include consideration of the applicant's past history of annual income and/or the history of the typical annual income of others in the area with similar types of employment. Such income should be sufficient to meet living expenses, pay taxes, insurance and maintenance costs, and to make required payments on all obligations including the Section 502 loan; or

(ii) The applicant obtains a cosigner with dependably available income which will be sufficient to repay the loan. The cosigner must be an individual but may not be a member of the applicant's household.

(b) All adult members of the household whose income must be included to meet the repayment requirements in paragraph (a)(2)(i) of this section will be considered applicants.

(c) Annual income as defined in § 1944.2(c) will be determined as follows:

(1) The income to be expected during the next 12 months for all adults, including the spouse, will be included for either full-time or part-time employment if presently employed. Projected income will include wage increases which can reasonably be expected, based on known facts or historical data. If the spouse or any other adult is not presently employed but there is a recent history of such employment, that person's income will be considered unless the applicant and the person involved sign a statement that the person is not presently employed and does not intend to resume employment in the foreseeable future or, if interest credit is involved, during the term of the Interest Credit Agreement. The statement will be filed in the borrower's case file.

(2) Income from all sources is included except as provided in paragraph (c)(3) of this section. Income sources include, but are not limited to:

(i) Gross income from wages, salaries, and commissions, including that from seasonal type work which can be expected to be repeated.

(ii) All expected overtime and bonus income which can reasonably be considered dependable.

(iii) All net farm and nonfarm business income. Projected farm or nonfarm business losses will be considered as "O" in determining annual income.

(iv) Pensions, Social Security, welfare, and unemployment compensation.

(v) Child support payments and other payments made on behalf of minors.

(vi) The income of an applicant's spouse, unless the spouse has been living apart from the applicant for at least 6 months (for reasons other than military or work assignment), or court proceedings for divorce or legal separation have been commenced.

(vii) GI bill benefits, fellowships, scholarships, and assistantships.

(viii) Alimony, or other spousal support payment.

(ix) Proceeds from the sale of equipment, mineral rights or real estate sold under long-term contract (usually more than 3 years).

(3) The following income will not be included in determining annual adjusted income, although it will be included under § 1944.26 (b)(2) and (e)(2) for documenting repayment ability:

(i) Income received by a full time student (*who is not* the applicant or co-applicant) from employment or income from GI Bill benefits, fellowships, scholarships, or assistantships for schooling.

(ii) Proceeds from the sale of equipment, mineral rights, or real estate sold under a short term contract (usually 3 years or less).

(iii) Cash value of food stamps, real estate tax exemptions, or similar types of assistance.

(iv) Payments received for the care of foster children, foster adults or for services rendered as a volunteer on a project sponsored by any of the following programs:

(A) Retired Senior Volunteer Program.

(B) Foster Grandparent and Older American Community Service Programs (as either a foster grandparent, senior health aide or senior companion).

(C) National Volunteer Programs to Assist Small Business and Promote Volunteer Service by Persons With Business Experience

(D) Peace Corps, VISTA, or any other volunteer program sponsored by ACTION.

(v) Allowances, such as training and travel expenses, paid by the Department of Labor to CETA participants. (Wages paid by the employers of CETA workers will be included).

(vi) Any payments received by "live in" aides for members of a senior citizen borrower's household, paid by state or federal programs which specifically exclude the cost of shelter from the amount received.

(4) In determining the applicant's annual income the following deductions are allowed:

(i) A deduction may be made in the same manner as outlined in Internal Revenue Service (IRS) regulations for the exhaustion, wear and tear, and obsolescence of depreciable property used in the applicant's trade, business, or farming operation. The applicant must provide an itemized schedule showing the depreciation claimed. The schedule should be consistent with the amount of depreciation actually claimed for these items for Federal income tax purposes.

(ii) A deduction may be made in the same manner as outlined in IRS regulations for necessary work related expenses actually paid by the employee in excess of the amount reimbursed by the employer. The deduction must be reasonable and, in the judgment of the approving official, should be deducted from an employee's income to reflect annual income on an equal basis with other employed persons. Deductions, however, are not permitted for the following:

(A) Transportation to and from work.

(B) Cost of meals incurred on one day business trips.

(C) Educational expenses except those incurred to meet the minimum requirements for the employee's present position.

(D) Fines and penalties for violation of laws.

(iii) A maximum aggregate deduction of \$400 per month may be made for child care or disabled dependent care which is necessary to enable the borrower to be gainfully employed. The deduction will be based only on monies actually paid for care services. Payments for these services may not be made to persons whom the borrower is entitled to claim as dependents for income tax purposes. Full justification for such deduction must be recorded in detail in the applicant's loan docket.

(iv) A maximum aggregate deduction of \$400 per month may be made for full time nursing home or institutional type care which cannot be provided in the home, for a member of the household. Such care must be expected to be required for a period of six months or more. The deduction will be limited to expenditures actually paid for such services.

§ 1944.9 Other eligibility requirements.

In addition to the income eligibility requirements of § 1944.8, the applicant must:

(a) Qualify as one of the following:

(1) A person who does not own a dwelling which is structurally sound, functionally adequate, and which is large enough to accommodate the needs of the applicant, or

(2) A farmowner without decent, safe and sanitary housing for the farmowner's own use or for the use of farm tenants, sharecroppers, farm laborers, or farm manager.

(b) Be without sufficient resources to provide the necessary housing or related facilities, and be unable to secure the necessary credit from other sources upon terms and conditions which the applicant could reasonably be expected to fulfill. If the applicant has only an undivided interest in the land to be improved, those co-owners whose execution of the mortgage is required under § 1944.18(b)(8) must also be unable to provide the improvement with their own resources or obtain the necessary credit elsewhere either individually or jointly with the applicant.

(c) Be a natural person (individual) who resides as a citizen in any of the 50 States, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Trust Territory of the Pacific Islands, or a noncitizen who resides in one of the foregoing areas after being legally admitted for permanent residence or on indefinite parole. Permanent residents can verify their status by presentation of Form I-551 "Alien Registration Receipt Card" or any later revision of the form. Those on indefinite parole must present Form I-94 "Arrival/Departure Card" or any later revision of the form. The County Supervisor must further authenticate such information through the Immigration and Naturalization Service if the authenticity of the information provided is in doubt (See Exhibit B).

(d) Possess legal capacity to incur the loan obligation, and have reached the legal age of majority in the State, or have had the disability of minority removed by court action.

(e) Have the potential ability to personally occupy the home on a permanent basis, if the loan is to provide housing for the applicant's own use. To illustrate, because of the probability of their being transferred or moving after graduation, military personnel on active duty and full-time students will not be granted loans unless:

(1) The applicant, if military personnel, will be discharged at an early date (usually within 1 year). The family must continue to occupy the home in case the borrower is transferred to another duty station before discharge, and

(2) The applicant intends to make the home a permanent residence and there are reasonable prospects that employment will be available in the area after graduation or discharge, and

(3) An adult member of the household will be available to make inspections if the home is being constructed and to sign checks for work performed.

(f) Have a credit history which indicates a reasonable ability and willingness to meet obligations as they become due. The following will not indicate an unacceptable credit history:

(1) "No history" of credit transactions by the applicant.

(2) Bankruptcies, foreclosures, satisfied judgments, or delinquent payment records which occurred more than 36 months before the application if no recent similar situations have occurred.

(3) Isolated incidents of delinquent payments which do not represent a general pattern of unsatisfactory or slow payment.

(4) Recent bankruptcy, foreclosure, judgment or delinquent payment when the applicant can satisfactorily demonstrate that:

(i) The circumstances causing any of the above were of a temporary nature, were beyond the applicant's control and have been removed. Examples: loss of job; delay or reduction in government benefits, or other loss of income; increased expenses due to illness, death, etc.

(ii) The adverse action or delinquency was the result of a refusal to make full payment because of defective goods or services or as a result of some other justifiable dispute relating to the goods or services purchased or contracted for.

§ 1944.10 Rural area designation.

(a) For the purposes of this subpart, a rural area is:

(1) Open country which is not part of or associated with an urban area, or

(2) Any town, village, city or place, including the immediately adjacent densely settled area, which is not part of or associated with an urban area and which:

(i) Has a population not in excess of 10,000 if it is rural in character, or

(ii) Has a population in excess of 10,000 but not in excess of 20,000, and

(A) Is not contained within a Standard Metropolitan Statistical Area (SMSA), and

(B) Has a serious lack of mortgage credit for low- and moderate-income households as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development.

(b) A determination that open country, or any town, village, city, or place is not part of or associated with an urban area must include a finding that any densely populated section of the area in question is separated from the densely populated section of any adjacent urban area by open spaces (which are undeveloped, agricultural, or sparsely settled) other than open spaces due to physical barriers, commercial or industrial developments, public parks and similar open spaces, and areas reserved for recreational purposes. This determination should also consider such other factors as:

(1) The existence of known plans for development within the near future (e.g., 3 to 5 years) of a substantial portion of the intervening land between the area in question and an urban area.

(2) Separate school systems and separate utilities such as water and sewer and solid waste disposal; however, consolidated schools and/or combined facilities do not necessarily indicate being "associated with".

(c) Two or more towns, villages, cities, and places may have contiguous boundaries, and each be considered separately if they are not otherwise associated with each other, as determined after consideration of paragraphs (a) and (b) of this section.

(d) The latest official Bureau of the Census data or more recent official population counts (U.S. Census of Population or other Governmental official counts) will be used in determining population.

(e) The State Director will be responsible for determining boundaries of rural areas and shall issue an appropriate State Supplement to identify such areas by list and maps. Areas in excess of 10,000 population will be identified as "rural areas" in a State Supplement only after written authorization by the National Office and compliance with the requirement of paragraph (a)(2)(ii) of this section.

(f) When a change of designation from rural to nonrural is anticipated, all developers and other interested parties should be notified.

(g) If an area designation is changed from rural to nonrural, loans may be made only in the following instances:

(1) Applications received by FmHA prior to the change of designation may be processed.

(2) New conditional commitments may be issued and existing conditional commitments will be honored only in conjunction with the approval of RH loan applications which were received prior to the date the area was designated non-rural.

(3) Credit sales and transfers with assumptions may be processed in such areas as authorized by § 1955.103(e) of this chapter and § 1872.18(c)(1)(i) of this chapter (FmHA Instruction 465.1 paragraph XVIII C 1 a).

(4) Subsequent loans may be made on property in an area where the designation was changed from rural to nonrural after the initial loan was made:

(i) To make necessary repairs.

(ii) To pay equity in connection with an assumption and transfer of an RH loan.

§ 1944.11 Property requirements.

(a) The property on which the loan is made must be located on a farm, or in a designated rural area as defined in § 1944.10 or in an area the designation of which has been changed as provided in § 1944.10(g). A nonfarm tract to be purchased or improved with loan funds must not include or be closely associated with farm service buildings.

(b) Unless an exception is granted by the National Office (notwithstanding the requirement of § 1804.67(b) of this chapter, FmHA Instruction 424.5 Paragraph VII(B) the property must be contiguous to and have direct access from an:

(1) All-weather street which has been dedicated to and accepted by a public body which shall be responsible for continuous maintenance, or

(2) Extended driveway if:

(i) The driveway has an all-weather surface,

(ii) The driveway does not potentially serve more than two individual dwellings,

(iii) The applicant obtains title or an easement to the driveway and it is included in the security for the loan, and

(iv) The maintenance cost for the driveway is considered in determining the applicant's repayment ability.

(c) If the property is being purchased with loan funds, it may not be larger than a minimum adequate site, which is the smallest area sufficient for the dwelling, related facilities, and a yard. In determining whether the property is a minimum adequate site the following considerations apply:

(1) In case of purchase of a site on which to construct a dwelling, or purchase of a new dwelling and site, the

site should be not more than one acre of land unless more than one acre is needed to provide for an adequate water supply or waste disposal system.

(2) When an existing dwelling is being purchased or debts are being refinanced, the site may include more than one acre only under the following conditions:

(i) When an existing dwelling is being purchased, the seller will sell the dwelling only with the entire site on which it is located and the cost of extra land is not a substantial portion of the loan, or

(ii) In a refinancing case, the extra land cannot be sold for a significant amount, or

(iii) More than one acre is needed to provide an adequate water supply or waste disposal system.

(3) In all cases, the buying of a site of more than one acre must be fully justified and the reasons recorded in the loan docket. In no case may more than three acres be purchased unless authorized by the National Office.

(d) Loans made to buy, build, or repair dwellings located in an area having special flood or mudslide hazards are subject to the conditions of Subpart B of Part 1806 of this chapter (FmHA Instruction 426.2).

§§ 1944.12-1944.14 [Reserved]

(a) After the loan is closed, the applicant must have an interest in the property to be purchased, improved, or refinanced, which qualifies as one of the following:

(1) Full marketable title.

(2) The purchaser's interest under a land purchase contract which obligates payment of the purchase price, gives the rights of present possession, control and beneficial use of the property, and entitles the purchaser to a deed upon paying all or a specific part of the purchase price.

(3) An undivided fee interest if the co-owners meet the security requirements imposed by § 1944.18(b)(8).

(4) A life estate interest with rights of present possession, control and beneficial use of the property if the remaindermen meet the security requirements imposed by § 1944.18(b)(9).

(5) Leasehold interest if all of the following conditions are met:

(i) The applicant is unable to obtain fee title to the property and the rent charged for the lease does not exceed the rate being paid for similar leases.

(ii) The lessor owns the fee simple title.

(iii) Neither the leasehold nor the fee simple title is subject to a prior lien, unless the County Supervisor submits complete information to the State

Director for review and authorization prior to approval of the loan. The amount of the RH loan plus any prior liens may not exceed the recommended market value of the leasehold.

(iv) The written lease contains the following provisions:

(A) The lessor's consent to the RH mortgage.

(b) Reasonable security of tenure. The borrower's interest must not be subject to summary forfeiture or cancellation.

(c) The right of FmHA to foreclose the RH mortgage and sell without restrictions that would adversely affect the market value of the security.

(D) The right of FmHA to bid at foreclosure sale or to accept voluntary conveyance of the security in lieu of foreclosure.

(E) The right of FmHA, after acquiring the leasehold through foreclosure or voluntary conveyance in lieu of foreclosure, or in event of abandonment by the borrower, to occupy the property or sublet it, and to sell for cash or credit. In case of a credit sale, FmHA will take a mortgage with rights similar to those under the original RH mortgage.

(F) The right of the borrower, in the event of default or inability to continue with the lease and the RH loan, to transfer the leasehold, subject to the RH mortgage, to an eligible transferee with assumption of the RH debt.

(G) Advance notice of at least 90 days to FmHA of lessor's intention to cancel or terminate the lease. Such advance notice will be long enough to permit FmHA to ascertain the amount of delinquencies, the total amount of the lessor's and any other prior interests, and the market value of the leasehold interest and, if litigation is involved, to refer the case with a report of the facts to the United States Attorney for appropriate action.

(H) Express provisions covering the question of liability of FmHA for unpaid rentals or other charges accrued at the time it acquires possession of the property or title to the leasehold, and those which become due during FmHA's possession or ownership, pending further servicing or liquidation.

(I) Any necessary provisions to assure fair compensation to the lessee for any part of the premises taken by condemnation.

(v) The lease has an unexpired term, from the date of loan approval, of at least 50 years (a lease for 25 years with an option to the lessee to renew for an additional 25 years would be considered a 50 year lease) except where:

(A) A lease is granted for the purpose of permitting a person to obtain an RH loan and the time required to process and approve the loan results in the

unexpired term of the lease being not less than 49 years, or

(B) A lease is in existence at least 1 year prior to the date of the loan approval, and the unexpired term of the lease is at least 50 percent longer than the repayment period of the loan. In no case may the unexpired term of the lease be less than 15 years.

(6) Possessory rights on an Indian reservation or State-owned land if the security requirements imposed by § 1944.18(b)(2) are met.

(7) The interest of an Indian in land held in severalty under trust patents or deeds containing restrictions against alienation if the security requirements imposed by § 1944.18(b)(3) are met.

(b) If an applicant's title to any part of the property does not qualify as an ownership interest under paragraph (a) of this section and is therefore defective, an RH loan may nevertheless be made if:

(1) The defect cannot be cured at a reasonable cost, and

(2) No improvements to be constructed or repaired with loan funds will be located on the parcel to which title is defective, and

(3) No security value will be accorded to the parcel to which title is defective.

§ 1944.16 Building requirements.

(a) *New dwellings.* Dwellings to be built or purchased new must provide decent, safe and sanitary housing that is modest in size, design, and cost, and consistent with the market and other dwellings owned or being built in the area by others with similar incomes. The dwelling should be designed to fit the needs of the applicant but may include 3 bedrooms and 1½ bathrooms if such a dwelling is within the applicant's repayment ability.

(1) The dwelling will contain no more than 1,200 square feet of living area. When the size of the household results in an average of more than two persons per bedroom a larger dwelling may be justified to provide adequate sleeping space. The following will be considered in determining living area:

(i) Living area will include all finished areas as well as unfinished areas that are designed for or normally considered as living area. This will include those areas which meet or can be improved to meet the Housing and Urban Development (HUD) Minimum Property Standards (MPS) requirements for habitable area.

(ii) Living area will not include such space as a stairway between living areas, enclosed stairway, enclosed entryway, space necessary for utilities in a home without a basement, general storage area, porch not suited for year-

round use, solar greenhouse which provides heat to the living area, garage or carport which is attached, detached or in the basement area; basement or other area not designed for or normally considered living area.

(2) Special design features or equipment may be included when necessary because of physical handicap or disability.

(3) Two-car garages or carports will not be authorized. Single-car garages or carports may be included if customarily included in other homes in the area.

(4) Solar systems will be used only after approval by the State Architect and authorization by the State Director. Fireplaces and other woodburning devices may be authorized only if the loan approval official determines and documents that a dependable and economical wood supply is available. All fireplaces and other woodburning devices must comply with HUD Minimum Property Standards and with Exhibit D of Part 1924, Subpart A. To assure compliance and to remove uncertainties regarding safety and efficiency, fireplaces and other woodburning devices are authorized only after approval by the State Architect and subsequent authorization by the State Director.

(5) A dwelling for an extended family as defined in § 1944.2(g) may include bedroom area with an exterior entrance and an additional bathroom. This area should be designed in a manner that will not adversely affect the home's potential for resale.

(b) *Existing dwellings.* Existing dwellings purchased with RH funds must be structurally sound, functionally adequate, either be in good repair or placed in good repair with loan funds and meet the standards required by § 1924.5(d)(1)(ii) of this chapter. The policies stated in paragraph (a)(1) of this section may be used as a guide in making a determination of adequate but modest existing dwellings, however, the maximum square footage of living area should be flexible to adjust for modest adequate existing homes that may be available.

(c) *Repairs.* Any dwelling repaired with RH funds must be structurally sound, functionally adequate, and be placed in good repair with loan funds. If the loan is not more than \$7,500 and is scheduled for repayment in not more than 15 years from the date of the note, the dwelling may lack some equipment or features such as a complete bath, kitchen cabinets, closets, or completely finished interior in some rooms. Such dwellings must meet the basic housing needs of the applicant and provide

decent, safe, and sanitary living conditions when the improvements financed with the loan are completed.

(d) *Improvements.* Improvements financed with loan funds must be on land which, after loan closing, is part of a tract owned by the borrower in accordance with § 1944.15(a), or on an easement appurtenant to such a tract.

§ 1944.17 Maximum loan amounts.

(a) An RH loan to buy or build a dwelling may be made up to the market value of the security less the unpaid principal balance and past-due interest of any other liens against the security property for:

(1) An existing dwelling which is more than a year old or previously occupied as a residence.

(2) A new dwelling when any of the following conditions exist:

(i) A conditional commitment was issued in accordance with § 1944.45.

(ii) The RH loan will be closed prior to the start of construction.

(iii) Construction is financed in accordance with § 1944.46.

(iv) The required construction inspections were made by the Federal Housing Administration (FHA) or Veterans Administration (VA). A complete set of plans and specifications will be submitted together with copies of inspection reports or certification by FHA or VA indicating the dwelling was built in accordance with approved plans and specifications. The builder will also furnish a certification of compliance with FmHA thermal standards for new construction as required by Exhibit D of Subpart A of Part 1924 of this chapter.

(v) The dwelling was constructed under an insured 10-year warranty plan. The builder will provide complete plans and specifications together with a certification that construction was completed in compliance with the plans and specifications, HUD-FHA Minimum Property Standards and FmHA thermal standards for new construction. The cost of the insured warranty will be included in the sale price of the dwelling, if it is to be charged to the borrower. Prior to loan approval the builder must provide evidence that he/she is an approved builder in good standing under a 10-year insured warranty plan.

(b) Except as provided in paragraph (c) of this section a loan will be limited to 90 percent of the market value of the security for any dwelling that does not meet the requirements of paragraph (a) of this section.

(c) A loan which causes the total secured indebtedness to exceed the appraised value of the property securing the loan may be made when the amount

exceeding the appraised value is all or part of a lien held by a public body, hospital or welfare institution for advances made for medical bills, welfare payments, or state motor vehicle judgments provided:

(1) The borrower is unable to settle or compromise such lien sufficiently to avoid exceeding the market value, and

(2) The lien securing the excess amount will at all times be inferior to the FmHA mortgage securing the initial loan and any subsequent loan or advances determined by the FmHA to be reasonably necessary to carry out the purpose of the initial loan or to protect the Government's financial interest, and

(3) The existence of the excess lien will not jeopardize the security or servicing so as to preclude the making of a sound RH loan, and

(4) The borrower has the ability to meet any payments on the excess debt as they become due or are likely to become due.

§ 1944.18 Security requirements.

(a) *Adequate security.* To protect the interests of FmHA all loans must be adequately secured. Except as provided in paragraph (b) of this section, a loan is adequately secured only when all of the following requirements are met:

(1) FmHA obtains at closing a mortgage on all ownership interests in the entire tract.

(2) No liens prior to the FmHA mortgage exist at the time of closing, and no junior liens are likely to be taken immediately subsequent to or at the time of closing.

(3) The provisions of Part 1807, of this chapter (FmHA Instruction 427.1) regarding title clearance, and the use of legal services are complied with.

(b) *Exceptions.* Exceptions to the usual security requirements will be made as follows:

(1) *Note only.* A loan of \$2,500 or less scheduled for repayment in not more than 10 years from the date of the note may be secured by the borrower's promissory note alone when the County Supervisor determines that:

(i) The applicant has a credit history which indicates an ability and willingness to pay debts when they are due;

(ii) The applicant will have sufficient income to readily meet all obligations; and

(iii) The applicant's equity in the real estate as improved equals or exceeds the amount of the proposed loan.

(2) *Mortgage insurance.* When the applicant is the holder of possessory rights on an Indian reservation or State-owned land, adequate security in the form of mortgage insurance

guaranteeing payment from a State agency or Indian tribe will be acceptable. Separate State Supplements covering loan approval, title clearance, closing, appropriate loan documents and a Memorandum of Understanding with the State or Indian tribe insuring agency should be developed and used with the approval of the State Director and the concurrence of the Office of General Counsel (OGC). Approval of such supplements by the National Office is required prior to participation in any such program.

(3) *Indian land.* Indian land in trust or restricted status acquired with an RH loan will remain in trust or restricted status. In these cases mortgages must be approved by the Secretary of the Interior. When a lien is to be taken on trust or restricted property, the local Bureau of Indian Affairs (BIA) representative will be requested to furnish advice and information with respect to the property and each applicant. The FmHA State Director should arrange with the BIA Area Director or other appropriate local BIA official as to how the information will be requested and furnished. A State Supplement will be issued to prescribe the actions to be taken by FmHA personnel to implement the making of loans under such conditions.

(4) *Best mortgage obtainable.* Loans of \$7,500 or less scheduled for repayment in not more than 15 years from the date of the note must be secured by a mortgage, except as provided in paragraph (b)(1) of this section, but title clearance and the use of legal services in accordance with Part 1807 of this Chapter (FmHA Instruction 427.1) are not required. The best mortgage obtainable without use of these procedures will be sufficient unless the loan approval official determines that the procedures in Part 1807 of this Chapter (FmHA Instruction 427.1) are necessary to assure repayment or accomplish the objective of the loan. Evidence of ownership must comply with § 1944.24(d)(2).

(5) *Leasehold.* When the applicant owns only a leasehold interest, FmHA may not require a mortgage on the lessor's interest but will treat the lessee's interest like any other type of ownership interest in determining whether a mortgage on the leasehold is required. The lease must meet the requirements of § 1944.15(a)(5) (iv) and (v). In any State in which applicants are likely to own a leasehold interest, the State Director will issue a State Supplement outlining the technical requirements for making such loans.

(6) *Security by junior lien.* FmHA may take a junior mortgage as security for an RH loan if the tract which will secure the FmHA mortgage provides adequate security for the entire prior lien debt and the RH loan, and

(i) The prior mortgage does not contain provisions that may jeopardize FmHA's security position or the borrower's ability to repay the loan, such as provisions for future advances, forfeiture, cancellation, foreclosure without adequate notice to junior lienholders; or

(ii) Such provisions are satisfactorily limited, modified, or waived.

(7) *Liens junior to FmHA lien.* Liens junior to the FmHA lien will be allowed at closing or immediately subsequent to closing only when:

(i) The junior lien will not interfere with the purposes or repayment of the RH loan, and

(ii) The total amount of the RH loan, the junior lien, and any prior liens will not exceed the market value of the security except as provided in § 1944.17(c).

(8) *Undivided interest.* When the applicant owns an undivided interest in the property, the co-owners' interests need not be included in the mortgage in the following cases:

(i) When one or more of the co-owners are not legally competent, or cannot be located, or the ownership rights are divided among such a large number of co-owners that it is not practical for all their interests to be mortgaged, the mortgaging of interests not exceeding 50 percent may be excluded from the security requirements upon prior approval by the State Director. The State Director should review the County Supervisor's recommendation accompanied by a full statement of ownership and conditions which justify the exclusion. All legally competent co-owners using or occupying the property will be required to sign the mortgage. Co-owners will be required to sign the note when necessary for a sound loan or to obtain the required security. The loan may not exceed the percentage of the market value of the property represented by the interests of the owners who sign the mortgage. In determining such value, consideration will be given to any adverse effect which might result from sale of the mortgaged interests separately from the nonmortgaged interests.

(ii) When an applicant owns an undivided interest in part of a farm and seeks a loan to build or improve facilities on another part in which the applicant owns the entire interest, or the applicant owns only an undivided interest in a building site which will be a

part of the farm, the interest of the applicant's co-owners may be excluded from the security requirements upon approval by the State Director if:

(A) The loan will be adequately secured by the applicant's equity in the wholly owned tract,

(B) The market value of the jointly owned tract is at least equal to the debts against it, and

(C) The applicant's participation in the joint ownership of part of the farm and its operations has been and is likely to continue to be successful.

(9) *Life estate.* When the applicant owns a life estate interest in the property, the remaindermen's interests need not be included in the mortgage if one or more of the remaindermen are not legally competent or cannot be located or if the remainder rights are divided among such a large number of remaindermen that it is not practicable to obtain the signatures of all the remaindermen. In that case, the mortgaging of remainder interests, not exceeding 50 percent of the total remainder interest may be excluded from the security requirements upon prior approval by the State Director. The State Director should review the County Supervisor's and District Director's recommendations accompanied by a memorandum stating complete ownership information and circumstances which justify the exclusion. In such cases, the loan may not exceed the percentage of market value of the property represented by the interests of those remaindermen who sign the mortgage, determined with due regard to all adverse factors involved. Remaindermen will be required to sign the note when necessary for a sound loan or to obtain the required security.

(10) *Farm dwelling.* When the applicant is the owner of a farm, a mortgage may be taken only on the dwelling and dwelling site provided the following conditions can be met:

(i) The tract to be mortgaged must not include or be close to farm service buildings, must be in a good residential location, be otherwise suitable as a residential type of nonfarm tract, provide adequate security for the loan, be contiguous to and have direct access to a public road, or

(ii) The tract to be mortgaged must contain at least enough land to clearly provide adequate security for the loan and to make the tract readily saleable in the area.

(11) *Land purchase contract.* When the ownership interest is by virtue of a land purchase contract a prior lienholder's agreement must be obtained as required by Part 1807 of this chapter

(FmHA Instruction 427.1, paragraph II F5.)

(c) *Additional security.* When necessary to supplement the applicant's equity in the farm or nonfarm tract on which the dwelling is located, or to facilitate servicing the loan, FmHA may also take a mortgage on other real estate owned by the applicant.

(d) *Assignment of income from real estate to be mortgaged.* Income to be received by the borrower from royalties, leases, or other existing agreements under which the value of the real estate security will be depreciated will be assigned and disposed of in accordance with § 1872.11 of Part 1872, of this Chapter (FmHA Instruction 465.1, paragraph XI), and the provisions for written consent of any prior lienholder. In small nonfarm tract cases, the State Director may authorize withholding transmittal of assignments to lessees for execution until production begins. The State Director may, in individual cases, waive the requirement of taking an assignment if repayment of the loan is reasonably assured from other sources.

§§ 1944.19-1944.21 [Reserved]

§ 1944.22 Refinancing debts.

(a) Refinancing of FmHA debts is not authorized.

(b) Loan funds may be used for refinancing non-FmHA debts only if the debt was incurred by the applicant prior to the date the application was filed and the following conditions can be met:

(1) The debt was incurred for purposes for which a Section 502 RH loan could be made or is a protective advance by the mortgagee for items covered by the mortgage to be refinanced, such as accrued interest, insurance premium or real estate tax advances or preliminary foreclosure costs.

(2) The debt must be a lien against the property which will be security for the RH loan. The promissory note and security instrument for the debt must represent rates and terms that were typical and customary for long-term residential financing in the area at the time the debt was incurred.

(3) A loan to refinance a qualified secured debt may also include short-term or unsecured debts, if necessary to establish a sound repayment ability, if such short-term or unsecured debts were incurred for authorized Section 502 loan purposes and are not a significant portion of the loan.

(4) Payments on the debt are so seriously delinquent, for reasons beyond the control of the applicant, that the applicant is likely to lose the dwelling at

an early date if the debt is not refinanced. Such delinquency must be due to loss of employment or income, illness, or such other similar events or unforeseen circumstances.

(5) A statement will be obtained for each debt to be refinanced showing the purpose for which the debt was incurred, the date on which it was incurred, the final due date, interest rate, amount and frequency of installments, amount of delinquency, unpaid principal and accrued interest.

(c) If a loan of \$5,000 or more is necessary for repairs to correct major deficiencies to make the dwelling decent, safe and sanitary, an existing lien which meets the requirements of paragraph (b) (1), (2) and (3) of this section may be refinanced regardless of delinquency, if necessary for the applicant to have repayment ability for the existing loan and the requested loan for repairs.

(d) Debts or costs incurred after the date of application may be refinanced if the costs were incurred for:

(1) Fees for legal, architectural and other technical services, or

(2) Materials, construction or site acquisition.

(3) The County Supervisor may authorize the use of RH funds to pay costs provided for in paragraphs (d) (1) and (2) of this section only when all of the following conditions exist:

(i) The costs were incurred after the applicant filed a written application for a loan but before the loan was closed. In the case of a subsequent loan to complete improvements previously planned, the costs must have been incurred after the initial loan was closed.

(ii) The applicant is unable to pay such costs from personal resources or to obtain credit from other sources and failure to authorize the use of RH funds to pay such costs would jeopardize the applicant's capability of repaying the loan.

(iii) The construction or repair work conforms to that shown on the building plans and specifications or Form FmHA 424-1, "Development Plan," when applicable, and the costs were incurred for authorized Section 502 loan purposes.

§ 1944.23 Loans to Farm Ownership (FO), Individual Soil and Water (SW), and Recreation (RL) borrowers.

A Section 502 loan may be made to an FO, SW, or RL borrower or simultaneously with an FO loan and a loan from another lender if all conditions of this Subpart are met. In these cases, the borrower's current FO, SW, or RL loan may be reamortized in

accordance with § 1951.40 of Subpart A of Part of this chapter.

§ 1944.24 Technical services.

(a) *Planning and performing construction work.* Any construction work will be planned and completed in accordance with Subpart A of Part 1924 of this chapter.

(b) *Planning and performing site development work.* Any site development will be planned and completed in accordance with Subpart D of Part 1804 of this chapter (FmHA Instruction 424.5).

(c) *Appraisal.* The value of property securing RH loans will be determined as follows:

(1) When a mortgage will be taken on a nonfarm tract or small farm, or on a leasehold interest in a nonfarm tract or small farm, to secure a total indebtedness of more than \$7,500, an appraisal of the security property will be made in accordance with FmHA Instruction 422.3 (available in any FmHA office). A small farm for the purpose of this Subpart is a farm as defined in § 1944.2(h) of this Subpart which has value primarily as a residence rather than for the production of agricultural commodities, and repayment of the RH loan is not dependent on farm income.

(2) When a mortgage will be taken on a farm tract or leasehold interest in a farm tract to secure a total indebtedness of more than \$7,500, an appraisal of the security property will be made in accordance with Subpart A of Part 1809, of this chapter (FmHA Instruction 422.1).

(3) When the total indebtedness will be not more than \$7,500, an appraisal of the real estate or leasehold interest is not required, unless the County Supervisor or loan approval official is uncertain as to the adequacy of the security. When an appraisal is not completed the County Supervisor will document in the case file the estimated market value of the property.

(4) When a loan is being made to an FmHA real estate borrower and the FmHA appraisal report in the borrower's case folder indicates the value of the security property is adequate to secure the total real estate indebtedness, including the planned loan, an appraisal is not required.

(5) Real estate mortgaged as additional security will be appraised when it represents a substantial portion of the security for the loan or when requested by the loan approving official.

(d) *Title clearance and legal services.*

(1) When real estate will be taken as security except on a best mortgage obtainable basis (including a mortgage on a leasehold), title clearance and legal

services for making and closing the loan will be provided in accordance with Part 1807 of this chapter (FmHA Instruction 427.1). Title clearance and legal services will not be requested until the loan is approved.

(2) When real estate will not be mortgaged or when the best real estate mortgage obtainable is taken as security without title clearance or use of legal services, each applicant will be required to submit evidence of ownership of the farm or nonfarm tract. This may be the original or a certified or photostatic copy of the deed, purchase contract, or other instrument evidencing ownership. When the County Supervisor is uncertain as to whether or not the applicant is a qualified owner, such action will be taken as the County Supervisor considers necessary, such as requiring the applicant to furnish additional information or obtaining the advice of the OGC regarding the evidence of ownership submitted and any further information or action that may be needed. Proof of ownership need not be as much as that required by Part 1807 of this Chapter (FmHA Instruction 427.1). For example, it may include such evidence as the levy and payment, in the applicant's name, of taxes on the real estate and affidavits by others in the community to the effect that the applicant has occupied the property as the apparent owner for a given length of time and is believed and generally reputed to be the owner. No loan will be made if the County Supervisor has actual knowledge that the applicant does not have a valid title to the property.

§ 1944.25 Rates, terms, and source of funds.

(a) *Source of funds.* Insured loan funds from the Rural Housing Insurance Fund (RHIF) will be used for all Section 502 loans.

(b) *Interest rate per annum on unpaid principal.* Loans will be made at the interest rate(s) specified in FmHA Instruction 440.1, Exhibit B (available in any FmHA office). If only one interest rate is so specified such rate will be the maximum interest rate established for mortgages under section 203(b) of the National Housing Act by the Secretary of Housing, and Urban Development (HUD). If there are two interest rates for Section 502 insured RH loans specified in FmHA Instruction 440.1, Exhibit B, borrowers will pay the HUD rate if the annual payments required for principal and interest on existing Section 502 RH loans, if any, the annual principal and interest payments on the loan for which application is being made (with

payments calculated at the HUD rate), taxes, and insurance are not more than twenty percent (20%) of the borrower's adjusted annual income; in all other cases the borrower will pay the rate specified as the section 502 rate.

(c) *Amortization.* Each loan will be scheduled for repayment over a period not to exceed 33 years from the date of the note or such shorter period as may be necessary to assure that the loan will be adequately secured, taking into account the probability of depreciation of the security. A loan for \$2,500 or less not secured by a real estate mortgage will be scheduled for repayment over a period not to exceed 10 years from the date of the note.

(d) *Interest credit.* Borrowers may be eligible for an interest credit subsidy which can reduce the borrower's effective interest rate to as low as 1 percent. The policies and procedures for granting and servicing interest credit on RH loans are set forth in § 1944.34.

§ 1944.26 Application processing.

(a) *Processing priorities.* Applications for section 502 RH loans will be processed in accordance with § 1910.4(a) of this chapter except that applications for the following types of loans will have processing priority:

(1) Loans to refinance qualified debts in accordance with § 1944.22(b). Cases where the applicant is in immediate danger of losing the dwelling may be funded from National Office reserve funds if allocated funds are not available.

(2) Subsequent loans which are necessary to complete transfers by assumption, complete credit sales, or for essential improvements or repairs.

(b) *Application forms.* (1) Applications for Section 502 RH loans will be made on Form FmHA 410-4, "Application for Rural Housing Loans (Nonfarm Tract)", or Form FmHA 410-1, "Application for FmHA Services", which are available at local County Offices, and processed in accordance with Subpart A of Part 1910 of this chapter.

(2) If Form FmHA 410-4 does not provide sufficient information to clearly determine the applicant's repayment ability, or if the applicant needs credit counseling, Form FmHA 431-3 will be completed by the applicant and County Supervisor. In preparing Form FmHA 431-3 the following will be considered:

(i) Non-cash items (e.g., food stamps, scholarships, free clothing, or transportation which help reduce the applicant's budgeted expenses) will be properly documented, and budgeted expenses will be reduced accordingly.

(ii) Income from all sources not used to determine adjusted annual income,

such as earnings from employment of minors or full-time students, foster care payments, and similar income items, will be considered to the extent it is used to offset budgeted expenses even though such income will not be included in "annual income."

(3) An applicant who completes Form FmHA 410-1 will also complete Form FmHA 431-2 as prescribed in Subpart B or Part 1924 of this chapter. In preparing Form 431-2, the provisions of paragraphs (b)(2)(i) and (ii) of this section will apply to allow consideration of all income and non-cash items. When a loan is to be made to a non-operator farmowner, the columns in Tables B and C pertaining to the operator's share will be changed to the owner's share. If an application is being considered early in the crop year for a borrower who has a current Form FmHA 431-2, such form will be revised to show changes in the financial statement and significant changes in the planned operation. However, if the crop year is well advanced or completed, a farm and home plan will be developed for the ensuring year. The applicant will also complete Form FmHA 431-1, "Long-Time Farm and Home Plan", when needed.

(4) When available funds are not adequate to complete the processing of all applications as they are received, a preliminary determination of eligibility will be made in accordance with § 1910.6(c) of this chapter. Applicants who appear eligible based on information provided at time of application will be advised of the estimated waiting period and that a final determination of eligibility will be made when loan funds are available for the processing of their applications. Exhibit E should be used as a guide to notify applicants of preliminary eligibility. Applicants on the waiting list will be notified when funds are available and will be advised of information necessary to determine final eligibility for loan approval.

(c) *Applicant interview.* A personal interview will be conducted by FmHA employees with all applicants before approval of the requested loan. During the interview, the applicant will verify information, including any submitted by a packager or others, concerning the applicant's employment and income. The applicant will also verify information concerning persons who will occupy the dwelling and on whose income eligibility for the loan and any interest credit is based. The County Supervisor will inform the applicant, and reach an understanding with the applicant, as to the FmHA loan making and servicing authorities, and the

responsibilities of the applicant or borrower. The discussion will include an explanation of all options of assistance which may be available to the applicant or borrower. A documentation of the items discussed will be placed in each applicant case file and will be dated and signed by both the applicant and County Supervisor. A copy will be provided to the applicant or borrower at the time of the personal interview. Exhibit D of this Subpart sets forth items which must be included and may be used as a guide in preparing the required documentation for this purpose. *No housing loan will be approved without such evidence that a personal interview has been completed.*

(d) *Credit counseling.* During the time of the applicant's initial interview and application processing, consultation will be provided as necessary to assist the applicant in preparing and understanding a meaningful budget. Form FmHA 431-2, or Form FmHA 431-3, which will reasonably reflect the applicant's repayment ability. County Supervisors will work closely with applicants to better understand all sources of income and cash substitutes. Credit and financial counseling will also be provided, as needed, to suggest financial management methods by which the applicant's success as a homeowner may most likely be achieved. When the County Supervisor determines that the applicant does not have sufficient income to repay the requested loan, other alternatives will be considered such as reducing amenities in the dwelling, selecting a less expensive dwelling or site, obtaining a cosigner, reduction of present debt load or when appropriate, building the dwelling by the self-help method.

(e) *Determining eligibility.* (1) The County Committee will determine eligibility of RH applicants who are also applying for or are indebted for a Farmer Program loan. The County Supervisor will determine eligibility for all other RH applicants.

(2) Repayment ability as outlined in § 1944.8(a)(2), will be evaluated on the circumstances surrounding the individual case including possible eligibility for interest credits as provided in § 1944.34. Obvious repayment ability may be determined by use of the short budget on Form FmHA 410-4. Form FmHA 431-3 will be completed by the applicant and the County Supervisor if eligibility cannot be clearly determined from the short budget. Under no condition(s) will arbitrary guidelines or "rules of thumb" be used. If the applicant(s) can verify payment of a

comparable or greater amount for housing costs for the previous 12 months, the applicant will be presumed to have repayment ability for the requested loan unless:

- (i) Projected annual income is less than current or past income,
 - (ii) Planned expenses are proportionally greater than current expenses, when compared to income, or
 - (iii) The applicant has increased debts, or failed to pay existing debts in order to maintain the present standard of living.
- (3) Credit history will be considered to the extent that it is used in evaluating all applicants for similar types and amounts of credit. For instance, credit requirements for a female applicant will not differ from those of a male applicant.

(4) The age of the applicant will not be used as a consideration of eligibility, except as provided in § 1944.9(d).

(5) The County Supervisor must determine whether the applicant could obtain housing credit elsewhere as follows:

(i) In any case in which a County Supervisor determines there is no possibility of the applicant's obtaining adequate housing credit elsewhere and, therefore, does not require the applicant to provide evidence that an effort has been made to obtain such credit, the County Supervisor will record that conclusion and the basis for it in the loan docket.

(ii) In any case where there may be a possibility that credit could be obtained from another source, the County Supervisor will require the applicant to make a diligent effort to obtain other credit.

(A) Applicants will be expected to apply for credit from lenders engaged in extending long-term housing credit in the area.

(B) Applicants should be advised to request lenders to indicate the amount, interest rate, and terms of housing credit they would be willing to extend to the applicant.

(C) When appropriate, the County Supervisor should verify evidence presented by an applicant that adequate credit is not available elsewhere.

(D) Letters from the lenders and any other evidence indicating that the applicant is unable to obtain credit elsewhere will be included in the loan docket.

(E) In no case will a loan be made to an applicant who is able to obtain the credit needed from another source at terms that can reasonably be expected to be within the applicant's repayment ability.

(f) *Veterans preference.* Veterans preference will apply when:

- (1) There is a shortage of funds.
- (2) Obligor froms are ready to be submitted to the Finance Office, and
- (3) There is more than one application having the same date.

(g) *Optioning of real estate.* The County Supervisor should advise the applicant with respect to the size, design, quality, cost and location of the dwellings and dwelling sites suitable for the RH program. If possible this should be done before the applicant selects a property to be purchased. Form FmHA 440-34, "Option to Purchase Real Property", should be used; however, other option forms may be used if their provisions are acceptable.

(h) *Application assistance.* Builders, brokers, contractors, and others including organizations such as those providing self-help assistance, who can provide complete information on the applicant and the house that is to be purchased, may assist in the assembly and processing of loan applications. Form FmHA 1944-12 "Rural Housing Loan Application Package" will be used for this purpose. Builders or sellers who received conditional commitments may also assist applicants in applying for an RH loan to buy a house for which a conditional commitment was issued in

accordance with § 1944.45. The County Supervisor will meet with such interested parties to explain:

- (1) The eligibility requirements of RH loans,
- (2) The size, design, cost and location of homes that can be financed,
- (3) The requirements of FmHA Instruction 1901-E,
- (4) How applications will be handled, and
- (5) The type of information that must be submitted. The information to be submitted is listed in Exhibit A of this Subpart which may be used as a guide.

(i) *Appeal.* If the decision on the applicant's request for assistance is unfavorable and was based on appealable actions, the applicant will be notified of appeal rights as required by § 1910.6(b) and Subpart B of Part 1910 of this chapter.

§§ 1944.27-1944.29 [Reserved]

§ 1944.30 Preparation of loan docket.

(a) Forms and documents will be fastened in the designated filing positions of the case folder as prescribed in Exhibit A of FmHA Instruction 2033-A (available in any FmHA office). Appropriate loan docket forms will be prepared in accordance with the Forms Manual Insert (FMI) for distribution as follows:

Form No.	Name of form	Total No. of copies	No. signed by borrower	Loan docket	Copy for borrower
FmHA 410-1	Application for FmHA Services.	1	1-O	1-O	
FmHA 410-4	Application for Rural Housing Loans (Nonfarm Tract).	1	1-O	1-O	
FmHA 1944-12	Rural Housing Loan Application Package.	1		1-O	
FmHA 410-5	Request for Verification of Employment.	1		1-O	
FmHA 410-7	Notification to Applicant on Use of Financial Information from Financial Institution.	2		1-C	1-O.
FmHA 410-8	Applicant Reference Letter.	1		1-O	
FmHA 410-9	Statement required by the Privacy Act.	2	2-O and C	1-C	1-O.
FmHA 431-2	Farm and Home Plan	1	1-O	1-O	(in record book).
FmHA 431-1	Long-Time Farm and Home Plan.	2	2-O and C	1-C	1-O.
FmHA 431-3	Family Budget	2	2-O and C	1-C	1-O.
FmHA 440-2	County Committee Certification or Recommendation.	1		1-O	
FmHA 427-8	Agreement with Prior Lienholder (or similar form).	***3		1-O	1-C.
FmHA 440-34	Option to Purchase Real Property.	***3	2-O and C	1-O	1-C.
FmHA 424-1	Development Plan (including any plans, specifications, and cost estimates).	**2	1-O	1-O	1-C.
FmHA 422-1	Appraisal Report (Farm Tract) (with attachments).	1		1-O	
FmHA 427-9	Preliminary Title Opinion	2		1-O	1-C (Designated Attorney).
FmHA 1944-6	Interest Credit Agreement (Section 502 RH Loans).	3	1-O	1-O	1-C (Finance). 1-C.
FmHA 1940-1	Request for Obligation of Funds.	4	2-O and C	1-O	1-C.

Form No.	Name of form	Total No. of copies	No. signed by borrower	Loan docket	Copy for borrower
FmHA 444-2	Single Family Housing Fund Analysis	4		1-C	
FmHA 440-35	Acceptance of Option	2	1-O	1-C	1-O +
FmHA 440-41	Disclosure Statement for Loans Secured by Real Estate	3	(See FmHA)	1-C	1-O
FmHA 440-42	Credit Sale Disclosure Statement	3	(See FmHA)	1-C	1-O
FmHA 440-43	Notice of Right to Rescind	3	(See FmHA)	1-C	2-O and C
FmHA 400-3	Notice to Contractors and Applicants	3		1-C	1-C
FmHA 400-6	Compliance Statement	3		1-C	1-O (contractor), 1-C (contractor)
FmHA 440-9	Supplementary Payment Agreement	2	1-O	1-O	1-C
FmHA 440-45	Nondiscrimination Certificate (Individual Housing)	2	2-O and C	1-O	1-C

O Original; C—Copy.

**When contract method will be used, 3 copies of plans and specifications will be required.

***Copy to lienholder.

****Signed copy of option previously delivered to seller.

+ Original to seller.

(b) All other documents necessary for approval of the particular loan will be included in the loan docket. This will include the following or others as appropriate:

(1) A copy of Exhibit D, "Rural Housing Applicant Interview", or a similar document executed by the applicant.

(2) Credit report(s) on the applicant(s).

(3) Evidence of ownership such as a certified copy of the applicant's deed, lease, purchase contract, or other evidence specified in § 1944.24 (d), or a statement by the County Supervisor that such documents have been reviewed.

(4) Estimates of the value of any security for which a formal appraisal report is not required.

(5) Agreements from prior lienholders, if any, when necessary to comply with § 1944.18(b)(6) and § 1807.2(f) of this chapter (paragraph II F of FmHA Instruction 427.1).

(6) When the loan is to be secured by a junior real estate mortgage, the docket must include a copy of each prior mortgage and, if available, a copy of each secured note or other obligation, furnished by the applicant at the applicant's own expense. The docket must include a current statement signed by the mortgagee showing the amount of unpaid principal secured by the mortgage; the amount of any accrued interest; the amount of any delinquency, with interest and principal shown separately; and, if a copy of the note is not furnished, its maturity date, payment schedule, interest rate, and a summary of any other provisions of the note.

(7) When the applicant obtains a cosigner, the docket must include that cosigner's current financial statement, income statement, and employment or business history. This will be supplemented by a statement from the County Supervisor as to the cosigner's

financial condition and reputation for paying debts, and any other information, such as a credit report, that will be of assistance to the loan approval official.

§ 1944.31 Loan approval.

(a) The State Director, District and Assistant District Directors, County and Assistant County Supervisors are authorized to approve or disapprove loans in accordance with FmHA Instruction 1901-A (available in any FmHA office).

(b) The loan approval official is responsible for reviewing the docket to determine that the proposed loan complies with established policies and all pertinent regulations and that funds are available for the loan.

(c) Prior to loan approval a new verification of employment will be required if more than 90 days have elapsed since the date of the last verification of employment, or if evidence is brought to the attention of the loan approval official that indicates the applicant's financial status has changed significantly.

(d) When a loan is approved, the loan approval official will:

(1) Indicate on all copies of Form FmHA 1940-1 any condition that must be met before the loan is closed. Also, the loan approval official will specify all security requirements that the applicant will need to meet, such as a first real estate lien or a junior lien subject to certain prior liens. If title evidence is required in accordance with Part 1807 of this Chapter (FmHA Instruction 427.1) or in accordance with any special requirements for the loan but is not included in the docket, the loan may be approved subject to the applicant's furnishing the required title evidence. When the applicant furnishes required title evidence, the County Supervisor will proceed with processing the loan. In

those cases in which the title evidence does not comply with the conditions specified by the approval official, the docket will be reconsidered by the loan approval official.

(2) Sign the approval certification on the original and one copy of Form FmHA 1940-1 and insert title in the space provided. The remaining copies will be conformed.

(3) If a loan is not approved after the docket has been developed, the reason for such action with date and initial of the approval official will be shown on the original Form FmHA 1940-1; the County Supervisor will notify the applicant in accordance with § 1910.6 (b) of this chapter.

(e) After the loan is approved the docket forms will be distributed as outlined below.

(1) *To the Finance Office.* (i) Form FmHA 1940-1 (first copy); (ii) Form FmHA 444-2 (original).

(2) *To the State Office.* If the loan is approved by the County Supervisor, or the District Director, an unsigned copy of Form FmHA 1940-1 (unless exempted by State Supplement) and a copy of Form FmHA 444-2 will be sent to the State Office. If the loan is approved in the State Office, an unsigned copy of Form FmHA 1940-1 and a copy of Form FmHA 444-2 will be retained in the State Office.

(3) *To the borrower.* A signed copy of Form FmHA 1940-1, the original of Form FmHA 440-1, and if applicable, the original and copy of Form FmHA 440-43.

§ 1944.32 Actions subsequent to loan approval.

(a) *Requesting a loan check.* (1) A loan check may be requested when all approval conditions can be met and necessary curative actions have been taken to provide a satisfactory title to real estate security. Form FmHA 440-57, "Acknowledgment of Obligated Funds/Check Request," will be completed and a copy sent to the Finance Office to request the check.

(2) A loan check may be requested at the time of loan approval by entering the amount of the check requested on Form FmHA 1940-1 when one of the following conditions exist:

(i) The loan will be secured by a promissory note only, or
(ii) Real estate security will be taken and the County Supervisor is reasonably certain that satisfactory title evidence can be obtained and the loan can be closed within 21 days from the date of the check request.

(3) When not more than \$4,000 of the loan funds will remain unexpended for more than 15 days after loan closing the

total amount of the loan will be requested in a single advance.

(4) If loan funds cannot be expended within 15 days the County Supervisor will enter in the appropriate "block" of Form FmHA 1940-1 the amount of loan funds to be disbursed at loan closing. Additional loan funds will be requested when, and in amounts, needed by submitting a completed copy of Form FmHA 440-57 to the Finance Office, or by telephone request if the additional funds cannot be received by the date needed using mail service. The County Supervisor should work with borrowers, developers, and others to be sure that funds will be available when needed and to reduce the multiple advances to a reasonable number. Any loan funds not requested by the "amortization effective date" for the loan, will be disbursed by the Finance Office to the County Office by check dated on the amortization effective date. The check will be deposited in the borrower's supervised bank account if it cannot be endorsed directly to a payee within 20 working days from the date of the check.

(b) *Handling loan checks.* (1) When the loan check or borrower's personal funds are to be deposited in the designated loan closing agent's escrow account, this will be done no later than the date of loan closing. If loan funds or borrower's personal funds are to be deposited in a supervised bank account, this will be done in accordance with § 1902.6 of this chapter no later than the first banking day following the date of loan closing.

(2) If a loan check is received and the loan cannot be closed within 20 working days from the date of the check, the County Supervisor will take appropriate action in accordance with FmHA Instruction 102.1 (available in any FmHA office).

(c) *Cancellation of loan.* Loans may be cancelled before loan closing by the use of Form FmHA 440-10, "Cancellation of Loan or Grant Check and/or Obligation", prepared in accordance with the FMI for that form. Checks received in the County Office will be returned with a copy of Form FmHA 440-10 to the Disbursing Center, U.S. Treasury Department, P.O. Box 3329, Kansas City, Kansas 66103. Interested parties will be notified of the cancellation as provided in § 1807.6 of this Chapter (FmHA Instruction 427.1). If the cancellation is not a voluntary action by the applicant, the applicant will be notified in accordance with § 1910.6(b) of this chapter.

(d) *Increase or decrease in amount of loan.* If it becomes necessary that the amount of the loan be increased or decreased prior to loan closing, the

County Supervisor will request that all distributed docket forms be returned to the County Office. The loan docket will be revised accordingly and reprocessed.

(e) *Property insurance.* Buildings on the property which is to be taken as security for the loan will be insured in accordance with Subparts A and B of Part 1806 of this Chapter (FmHA Instructions 426.1 and 426.2) when appropriate.

§ 1944.33 Loan closing.

(a) *Loans approved with interest credit.* If the loan will be closed and Form FmHA 1944-6 or 1944-A6, "Interest Credit Agreement (section 502 RH Loans)", will be executed more than 90 days after the last "Verification of Employment", or if there is evidence to indicate the applicant's financial status has changed significantly, a current "Verification of Employment" will be obtained and the amount of interest credit will be determined on the basis of the applicant's new circumstances. If the adjusted income exceeds the low-income limit set forth in Exhibit C of this Subpart, the loan will not be closed unless authorized by the State Director. Such authorization may be granted if there is documented evidence to clearly indicate other credit is not available. Interest credit will not be granted in any case in which the adjusted income exceeds the moderate-income limit set forth in Exhibit C.

(b) *Loans approved without interest credit.* Further review of the applicant's financial status is not required at the time of closing unless the loan is closed more than 90 days after the date of loan approval, or there is evidence to indicate the financial status has changed significantly. If the adjusted income exceeds the limit for moderate income set forth in Exhibit C of this Subpart, the case will be referred to the State Director. The State Director may authorize closing of the loan if there is documented evidence to clearly indicate other credit is not available.

(c) *Promissory note.* Form FmHA 440-16, "Promissory Note", will be prepared and signed in accordance with Part 1807 of this chapter (FmHA Instruction 427.1), and the FMI for the form.

(1) The payment alternatives of the note will be completed in accordance with the FMI for the form. Payments of principal and interest will be deferred during the period the dwelling is not expected to be suitable for occupancy as a residence because of construction or repairs to be made. In such cases if the loan is closed before any funds are advanced by the Finance Office or loan funds are distributed by multiple advance, accrued interest is added to

principal and repaid in regular amortized installments (payment alternative II) after the deferment period.

(2) The payment provision of the note will be completed in accordance with the FMI for the form and the following:

(i) The monthly payment provision will be used for all borrowers who regularly receive monthly income and who can repay the loan in 12 equal monthly payments.

(ii) The annual payment provision will be used only for borrowers who do not regularly receive monthly income throughout the year. If installments are not to be deferred, the following provisions apply:

(A) The amount of the first installment will be determined by the County Supervisor after considering the immediate debt paying ability of the borrower. The amount of the first installment may be less, but not more, than a regular annual installment.

(B) The amount of the first installment may not be less than the amount equal to interest on the loan from the date of loan closing to the next January 1.

(C) Form FmHA 440-9 should be used to supplement this payment provision to facilitate servicing of loans for borrowers who pay more than one time a year.

(d) *Real estate mortgage.* Form FmHA 427-1, "Real Estate Mortgage for (state)" will be used for loans to be secured by a real estate mortgage. Any changes made in the text by deletion, substitution, or addition (excluding filling in blanks) will be initialed in the margin by all persons signing the mortgage. Additions will be made on the mortgage in the following cases:

(1) For a loan secured by a mortgage on a leasehold, the following language, or similar language which in the opinion of OGC is legally adequate, will be inserted in the mortgage just before the legal description of the real estate:

All Borrower's right, title, and interest in and to the leasehold estate for a term of years beginning on , 19 , created, executed and established by certain Lease dated , 19 , by as lessor(s), and recorded at Book , Page of the Records of said County and State, and any renewals and extensions thereof, and all Borrower's right, title, and interest in and to said Lease, covering the following real estate:

(2) For a loan secured by a mortgage on a leasehold an additional covenant will be inserted in the mortgage to read as follows:

Borrower will pay when due all rents and any and all other charges required by said Lease, will comply with all other

requirements of said Lease, and will not surrender or relinquish, without the Government's written consent, any of Borrower's right, title or interest in or to said leasehold estate or under said Lease while this instrument remains in effect.

(3) For all initial and subsequent Section 502 RH loans, until the mortgage forms are revised, the following additional covenant will be inserted above the signature line on the mortgage and be initialed at loan closing by all parties signing the mortgage.

This instrument also secures the recapture of any interest credit or subsidy which may be granted to the borrower(s) by the Government pursuant to 42 U.S.C. 1490a.

(e) *Collection of first installment.* If the annual payment provision of the note is used and payments are not deferred, the first installment of a loan closed during December will be collected at the time of loan closing.

(f) *Direct payments.* Direct payment cards for all new borrowers, including transferees, will be retained in the County Office until the borrower has made at least three monthly payments on time. The cards may then be delivered to the borrower and payments made directly to the Finance Office. The County Supervisor may retain the payment cards for a longer period if such action is considered to be necessary to determine that the borrower is able to make timely payments as agreed. Payments made to the County Office will be forwarded to the Finance Office with the appropriate direct payment card in the Finance Office mail. Cash payments, refunds, and extra payments made by borrowers will be handled in accordance with Subpart B of Part 1951 of this chapter.

(g) *Owner's policy of title insurance.* If an owner's policy of title insurance is obtained, it will be delivered to the borrower as soon as it is received from the title insurance company.

(h) *Real estate mortgage after filing.* When the real estate mortgage is returned by the filing official or loan closing official, the original will be filed in the borrower's case folder. If the original is retained by the filing official in the official records, a copy conformed to show the recording data including the date and place of recording and the book and page number will be filed in the borrower's case folder. A copy of the mortgage will be delivered to the borrower.

(i) *Effective date of loan closing.* A loan secured by a real estate mortgage is closed when the mortgage is filed for record. In other cases a loan is closed when the borrower executes the note and any other required instruments.

(j) *Water stock certificate or other such collateral.* When water stock certificates or other such collateral are part of the security, they will be retained in the County Office. A notation will be made on Form FmHA 1905-1, "Management System Card-Individual", or Form FmHA 1905-5, "Management System Card-Individual (RH Only)", as appropriate, showing that such security has been retained.

(k) *Account record and case folder.* The account record and case folder will be established in accordance with FmHA Instructions 2033-A and 1905-A (available at any FmHA office).

§ 1944.34 Interest credit.

(a) *General.* It is the policy of FmHA to grant interest credit on loans to low-income borrowers to assist them in obtaining decent, safe, and sanitary dwellings and related facilities.

(b) *Definitions.* (1) *Annual payment borrowers.* Borrowers who signed promissory notes providing for annual payments, including borrowers converted to monthly payments through the use of Form FmHA 451-34, "Direct Payment Plan Change".

(2) *Monthly payment borrowers.* Borrowers who signed promissory notes providing for monthly payments.

(3) *Review period.* The review period for an annual payment borrower will be the months of August, September, and October. The review period for a monthly payment borrower will be the third, fourth, and fifth months prior to the anniversary date of the borrower's current Interest Credit Agreement.

(4) *Real estate taxes.* Real estate taxes for interest credit purposes means the amount of real estate taxes and assessments that will actually be due and payable on the dwelling and the dwelling site during the interest credit period, reduced by the amount of any tax exemption available to the borrower, regardless of whether such exemption is actually claimed. Tax exemptions may include such things as homestead exemptions, special exemptions for low-income families, senior citizens, veterans and others.

(c) *Approval authority.* Those FmHA officials who are authorized to approve Section 502 loans are also authorized to approve the Interest Credit Agreement.

(d) *Amount of interest credit.* (1) Loans qualified to be considered in the interest credit calculation include only those advanced for authorized Section 502 RH purposes and which are a lien against the FmHA security by virtue of a prior mortgage or a junior mortgage consented to by FmHA. Except as provided in paragraph (d)(2) of this

section, the amount of interest credit granted will be the lesser of:

(i) The difference between 20 percent of the borrower's adjusted annual income and the sum of the annual installments due at the note interest rate on qualified loans plus the cost of real estate taxes and insurance, or

(ii) The difference between the annual installment due on the FmHA promissory notes eligible for interest credit and the amount the borrower would pay if the loan(s) were amortized at an interest rate of 1 percent.

(2) For repair and rehabilitation loans which meet the requirements of paragraph (f) (5) of this section, interest credit will be granted in an amount to achieve the following effective interest rates:

(i) For borrowers whose adjusted annual income is not more than \$5,000, interest credit will be calculated to reduce the effective interest rate to 1 percent.

(ii) For borrowers whose adjusted annual income is more than \$5,000 but not more than \$7,000, interest credit will be calculated to reduce the effective interest rate to 2 percent.

(iii) For borrowers whose adjusted annual income is more than \$7,000 but not more than \$10,000, interest credit will be calculated to reduce the effective interest rate to 3 percent.

(3) Borrowers qualifying for interest credit assistance under both paragraphs (d)(1) and (d)(2) of this section will be granted only the one type of interest credit assistance that is most beneficial to them. Interest credit on initial and subsequent loans will always be the same type. There is no provision for switching from one type of interest credit to the other.

(e) *Recapture.* At the applicant interview, the County Supervisor will advise all section 502 RH applicants that interest credit is subject to recapture. Applicants who receive interest credit will be required to sign a "Subsidy Repayment Agreement" (Subpart I of Part 1951, Exhibit A of this chapter) at the time the initial interest credit agreement is signed.

(f) *Eligibility.* To be eligible for interest credit, a borrower must qualify for a Section 502 loan, must personally occupy the dwelling, and must meet the following additional requirements:

(1) *Initial loans.* Interest credit may be granted at loan closing if:

(i) The borrower's adjusted annual income does not exceed the applicable low-income limit in Exhibit C.

(ii) The borrower's net worth does not exceed \$7,500 (a maximum net worth of \$10,000 will be allowed for senior

citizens) unless an exception is authorized. The calculation of net worth will exclude the value of the dwelling and dwelling site, cash on hand which will be used to reduce the amount of the loan, and household goods and the debts against them. For the purpose of determining whether an exception is justified, consideration will be given to the nature of the assets, particularly whether they are assets upon which a borrower is currently dependent for a livelihood or which could be used to reduce or eliminate the need for interest credit. The District Director may authorize exceptions of the net worth limitation up to \$20,000. Cases recommended by the State Director for which the net worth exceeds \$20,000 will be submitted to the National Office for authorization to grant interest credit.

(iii) The term of the loan is for 33 years, unless authorized otherwise by the State Director, based on complete documentation of the justifiable reasons on an individual case basis. Interest credit will not be granted on loans with a term of less than 25 years, except as provided in paragraph (f)(5) of this section.

(iv) The loan was approved on or after August 1, 1968.

(v) The amount of interest credit will be \$5 or more per month or \$60 or more annually.

(2) *Subsequent loans.* Interest credit may be granted on subsequent loans which meet the requirements of paragraph (f)(1) of this section or the following conditions:

(i) Interest credit is presently being or will be granted on the initial loan and the borrower's adjusted income does not exceed the moderate-income limit for the State as shown in Exhibit C, and

(ii) The sum of interest credit being granted on the initial and subsequent loans will be \$5 or more per month or \$60 or more per year.

(3) *Reamortization, transfers and credit sales.* Interest credit may be granted to a borrower buying an inventory dwelling or assuming an RH loan, or when a loan approved after August 1, 1968, is being reamortized provided:

(i) The requirements of paragraph (f)(1) of this section are met except that if the loan being assumed was initially approved before August 1, 1968, the assumption must be on new terms.

(ii) The loan will be reamortized for a term of 25 years or more except as provided in paragraph (f)(5) of this section.

(iii) The note being assumed is not an above-moderate loan.

(4) *Existing loans.* Interest credit may be granted at any time after loan closing if:

(i) The requirements of paragraph (f)(1) of this section are met.

(ii) The loan was approved as a "low or moderate" section 502 loan on or after August 1, 1968.

(iii) The borrower requests interest credit, or the County Supervisor determines that interest credit is needed to enable the borrower to repay the loan. In the case of married borrowers, when one spouse has left the dwelling due to marital discord, interest credit based on the remaining spouse's income may be extended to the remaining spouse if:

(A) The remaining spouse is occupying the dwelling, owns a legal interest in the property, and is liable for the debt;

(B) The FmHA loan account is put in the remaining spouse's name;

(C) Legal papers have been filed with the appropriate court to commence divorce or legal separation proceedings, or one spouse has not been living in the dwelling for at least six months. Interest credit will not be granted if separation is due only to work assignment or military order; and

(D) The remaining spouse is informed and agrees that should the spouse begin to live in the dwelling, that spouse's income will then be counted toward annual income and interest credit may be reduced or cancelled.

(5) *Repair and rehabilitation loans.* Interest credit may be granted on section 502 RH loans made to repair or rehabilitate a dwelling already owned by the applicant provided the following conditions are met:

(i) The initial interest credit will be granted at the time of loan closing;

(ii) The dwelling is, or will be, occupied by an eligible borrower after the loan is made;

(iii) The amount of the loan will not exceed \$10,000, or be amortized for not more than 25 years;

(iv) The applicant's adjusted annual income does not exceed \$10,000;

(v) The repairs will be made to bring a substandard dwelling up to the standards outlined in § 1944.16(c); and

(vi) The net worth requirements in paragraph (f)(1)(ii) of this section are met.

(g) *Processing interest credit.* (1) *General.* The amount of interest credit for which a borrower may be eligible will be determined by use of Form FmHA 1944-6 or Form FmHA 1944-A6 as outlined in paragraph (d) of this section.

(i) *Determination of income.* The County Supervisor is responsible for

determining the borrower's adjusted annual and annual income as defined in § 1944.2, paragraphs (b) and (c) respectively, of this Subpart. A borrower interview will be conducted in all cases for granting initial interest credit. Form FmHA 410-5 will be used to verify the earnings from employment of all persons whose income is included in "Annual Income".

(ii) *Effective period.* Interest Credit Agreements on loans made to monthly payment borrowers will be effective for a two-year period. For annual payment borrowers the agreement will be in effect until the second December 31 after the effective date. The effective date will be as indicated on the FMI for Form FmHA 1944-6.

(iii) *Partial year interest credit.* For an annual payment borrower with an initial installment less than a regular installment, and who will receive less than a full year of interest credit assistance, the interest credit granted will be a pro rata portion calculated on the number of months left in the current calendar year, including the month in which the loan is closed.

(iv) *Advance from the insurance fund.* The repayment schedule for advances made from the Rural Housing Insurance Fund will be computed at the interest rate shown on the promissory note. However, interest will accrue and payments will be applied on the amount advanced at the reduced interest rate in effect at the time of payment.

(v) *Preparation of the transaction record.* For borrowers receiving interest credit, the following changes will be shown on Form FmHA 451-26, "Transaction Record", when prepared by the Finance Office:

(A) *Interest rate field.* The interest rate field of the form will continue to show the interest rate on the note. The Finance Office will compute the effective interest rate charged the borrower based on the amount of interest credit granted. The computed rate, rounded to the nearest $\frac{1}{8}$ of a percent, will be shown as a footnote on the form as "Interest Rate reduced to —%". Subsequent transactions will be applied to the loan by the Finance Office at the reduced interest rate until such time as renewal, change, or cancellation occurs.

(B) *Daily interest accrual field.* The daily interest accrual will be shown at the reduced interest rate and the interest will accrue at the same interest rate until such time as the interest credit is renewed, changed, or cancelled.

(C) *Application of credit field.* The initial transaction record form will not have an entry in the "Application of

Credit" field. The Interest Credit Transaction Code for this method of processing interest credit will be 4 Z.

(D) *Payment status field.* The payment status field will not reflect the dollar amount of the interest credit granted. No entry will be made for monthly payment borrowers.

(E) *Minimum amount due by date shown field.* For annual payment borrowers, the amount of the installment, reduced by the amount of interest credit granted, will be shown. For monthly payment borrowers the word "monthly" will be entered in the space provided.

(2) *Initial and subsequent loans.*—(i) *County office action.* The County Supervisor will:

(A) Determine the borrower's adjusted annual income and document the calculations in the case file running record.

(B) Enter on Form FmHA 1940-1, the adjusted annual income, the estimated real estate taxes that will become due and payable during the first and second years of the agreement, and the amount of the annual property insurance premium for the dwelling.

(C) For initial loans approved with interest credit and closed under the multiple advance feature of the loan disbursement system outlined in Subpart A of Part 1902 of this chapter, further review of the borrower's financial status is not required unless the Interest Credit Agreement will be approved more than 90 days after the last "Verification of Employment", or there is evidence which indicates the borrower's financial status has changed significantly. If prior to approval of the Interest Credit Agreement the County Supervisor finds that the adjusted income has increased, interest credit will be granted on the basis of the borrower's new circumstances. Interest credit will not be granted if the borrower's adjusted income exceeds the moderate-income limit indicated in Exhibit C of this subpart.

(D) Complete and submit a corrected Interest Credit Agreement to the Finance Office when the loan is closed, or at the amortization effective date, if the borrower's circumstances have changed so that the amount of interest credit would be increased or decreased by at least \$5 monthly or \$60 annually.

(ii) *Finance office actions.* The Finance office will:

(A) Enter the information concerning adjusted annual income, the estimated real estate taxes, and the insurance premium on Form FmHA 440-57.

(B) Calculate the amount of interest credit to be granted to the borrower. The amount of interest credit will be

determined from the information initially shown on Form FmHA 1940-1.

(C) Prepare and mail Form FmHA 1944-A6 to the County Office when the final loan check is issued. Upon receipt, the form will be completed and a copy returned to the Finance Office only when indicated on the form.

(D) Prepare and issue payment cards to the County Office.

(3) *Reamortization, credit sales and transfers.* Interest credit to a borrower whose loan is being reamortized, or a borrower who assumes an RH loan or purchases property from inventory will be calculated by the County Office on Form FmHA 1944-6. A copy of Form FmHA 1944-6 will be forwarded to the Finance Office along with the copy of the Reamortization Agreement, Advice of Mortgaged Real Estate Sold, or Assumption Agreement. The Finance Office will issue payment cards to the County Office.

(4) *Existing loans.* Interest credit granted in accordance with paragraph (f)(4) of this section can be processed at any time in the same manner as interest credit on initial loans, except that the County Office will complete Form FmHA 1944-6 and calculate the amount of interest credit assistance the borrower will receive. A copy of Form FmHA 1944-6 will be used to send interest credit information to the Finance Office. The daily interest accrual will be reduced as of the effective date entered on the form or as of the date the last cash credit was made to the account, whichever is later.

(h) *Interest credit modification.* (1) *Before expiration.* When approving a change in interest credit assistance before the expiration of a current Interest Credit Agreement in accordance with paragraph (i)(3) of this section, the County Supervisor will again interview the borrower, determine the borrower's adjusted annual income and document the findings in the case file running record. A Form FmHA 1944-6 will be completed in accordance with the FMI and a copy of the form will be forwarded to the Finance Office. The Finance Office will adjust the daily interest accrual as of the date entered on the form or as of the date of the last cash credit made to the account, whichever is later.

(2) *Correction of Interest Credit Agreements.* A corrected Interest Credit Agreement will be prepared if the borrower is still eligible to receive interest credit. The corrected agreement will be submitted to the Finance Office only after the borrower's appeal right has expired or, if the borrower has filed an appeal, after a final decision has been made. In such cases, a Form FmHA

1944-6 showing the proper amount of interest credit which the borrower is entitled to receive will be submitted to the Finance Office to replace the incorrect agreement. The notation "Corrected in accordance with § 1944.34" will be entered on the face of the form. The Finance Office will cancel the incorrect Interest Credit Agreement as of its effective date. Payments made under the previous agreement will be reversed and reapplied at the adjusted interest rate of the new Interest Credit Agreement.

(3) *Interest credit renewal.*—(i) *Initiation of renewal action.* At the beginning of the review period, the Finance Office will mail to the County Office a list of borrowers whose Interest Credit Agreements are expiring, together with a package to be mailed by the County Supervisor to each borrower. The package will contain the following:

(A) A letter of explanation and the instructions for completing the Interest Credit Agreement (Exhibit F of this subpart).

(B) Form FmHA 1944-A6 (3 parts with carbon interleaved).

(C) Two Forms FmHA 410-A5, "Request for Verification of Employment". The County Office name and address will be preprinted in the space provided.

(D) Two window envelopes to be used by the employer(s) to mail the Verification of Employment form(s) to the County Office.

(ii) *Borrower responsibility.* Upon receipt of the package, the borrower will give one copy of the Verification of Employment form to the employer or employers of each member of the household who has income to be considered. A window envelope will be provided each employer to facilitate the mailing of the Verification of Employment form directly to the County Office. The borrower will also complete part II of the Interest Credit Agreement form (leaving carbon intact), sign the original form and bring the original and all copies to the County Office.

(iii) *County office actions.* The County Supervisor, or designee, will:

(A) Maintain the list of borrowers as a record of Interest Credit Agreements processed and sent to the Finance Office.

(B) Conduct an interview with the borrower to review the information on Forms FmHA 1944-A6 and 410-A5 for completeness and accuracy. The interview should, whenever possible, be a personal contact.

(C) Determine the adjusted annual income and document the calculations in the case file running record.

(D) Complete the Interest Credit Agreement and send a copy of the agreement to the Finance Office. If an annual note installment borrower is not eligible for interest credit, enter "0" in the blocks which indicate the amount of interest credit and send a copy of the agreement to the Finance Office. For monthly note installment borrowers not eligible for interest credit a copy of the agreement need not be sent to the Finance Office.

(E) If the Form FmHA 1944-A6 is mutilated or unusable, transfer all information preprinted on the form to a new Form FmHA 1944-6 to be signed by the borrower and submit the completed form to the Finance Office.

(F) Retain the original of the Interest Credit Agreement and return the other copy to the borrower.

(G) Notify by letter borrowers not eligible for continued interest credit and those whose interest credit has been reduced of the amount of their revised payments. The letter must notify the borrower of the right to appeal as outlined in § 1944.34(1). A new Form FmHA 440-9 will be obtained when needed.

(iv) *Finance Office actions.* The Finance Office will:

(A) Upon receipt of Form FmHA 1944-A6 from the County Office, send the borrower or the County Office a new set of payment cards.

(B) Before the end of the review period, send the County Office a list of borrowers for whom a renewal Interest Credit Agreement has not been received. The County Office staff will place a checkmark in the appropriate column of the list to indicate those borrowers who are no longer eligible for interest credit or whose agreements will not be renewed. The original of the completed list will be retained in the County Office and a copy returned to the Finance Office.

(v) *Processing interest credit renewals not received during the review period.* The County Supervisor may approve interest credit renewals not completed during the review period. They will be handled as follows:

(A) The amount of interest credit assistance granted will be based on the borrower's planned annual income during the first year of the agreement. The effective date of the Interest Credit Agreement will be as indicated on the FMI for Form FmHA 1944-6.

(B) Payments made by the borrower after the expiration date of the previous Interest Credit Agreement will be applied at the note interest rate until the Finance Office receives a new Form FmHA 1944-6.

(C) Upon receipt of Form FmHA 1944-6, the Finance Office will reduce the daily interest accrued in accordance with the following conditions and limitations:

(1) If failure to renew was due to error or oversight by FmHA, the State Director will authorize the Finance Office to reduce the interest accrual as of the effective date entered on the form and reverse and reapply payments processed after the effective date. Such authorization must be in writing.

(2) In all other cases the Finance Office will reduce the daily interest accrual as of the effective date entered on the form or as of the date of the last cash credit made to the account, whichever is later.

(i) *Eligibility Review.* The eligibility of those borrowers currently receiving interest credit will be reviewed as follows:

(1) *Biennial review.* The eligibility of all borrowers will be redetermined biennially during the review period.

(i) If the borrower's net worth increases above the applicable eligibility limit, interest credit may nevertheless be renewed unless the increase is sufficient to enable the borrower to graduate to another source of credit.

(ii) Interest credit will not be renewed if:

(A) The amount of interest credit for which the borrower qualifies is less than \$5 monthly or \$60 annually, or

(B) The borrower's adjusted annual income exceeds the moderate-income limit set forth in Exhibit C of this subpart.

(iii) Interest credit will not be renewed if the borrower has enlarged or improved the dwelling or added related facilities so that the housing exceeds modest standards for size, design, and cost for previously occupied homes as compared to other housing in the locality for low- and moderate-income families.

(2) *Renewals not completed during the review period.* When the borrower's renewal Interest Credit Agreement is not completed during the review period, it will be processed in accordance with § 1944.34(h)(3)(v).

(3) *Change in borrower's circumstances.* The County Supervisor is not responsible for monitoring whether a borrower's income, family size, real estate taxes, or insurance costs have changed after an Interest Credit Agreement is approved. If, however, it becomes known that the borrower's circumstances have changed so that the amount of interest credit assistance the borrower is eligible to receive has increased or decreased, the County

Supervisor will take action in accordance with the following:

(i) *Increased adjusted income.* If the County Supervisor determines that the borrower's income exceeds the applicable moderate-income limit in Exhibit C, or that the amount of interest credit for which the borrower qualifies is less than \$5 per month or less than \$60 per year, interest credit will be cancelled in accordance with § 1944.34(k) effective the date the County Supervisor becomes aware of the situation. If the interest credit will be decreased by \$15 or more per month or \$180 or more per year a revised interest credit agreement will be submitted to the Finance Office. In the latter case if the term of the agreement has less than five months remaining, no action will be taken until the review period and the change will be effective at the expiration of the current agreement.

(ii) *Decreased adjusted income.* Changes in interest credit may be approved at any time if the amount of interest credit the borrower is eligible to receive is increased by at least \$15 per month or \$180 per year. Such changes noted during the review period will not be effective until the expiration of the current agreement. Cases involving marital separation must meet the requirements of paragraph (f)(4)(iii) of this section before existing interest credit can be increased.

(j) *Improper interest credit.* (1) *When to take action.* Servicing under this section will be taken when, at the time of interest credit approval, incorrect information was provided by a borrower or any other person or an error by any FmHA employee results in the borrower receiving improper interest credit of \$5 or more per month or \$60 or more annually.

(2) *Determining improper interest credit.* Whenever there is a reason to believe a borrower was granted improper interest credit the County Supervisor will immediately reverify the information on which the interest credit was based. The County Supervisor will determine if improper interest credit was granted. If there is reason to believe there may be fraud or fiscal irregularities the complete case file together with all facts will be submitted to the State Director. If the State Director believes there is indication of fraud or fiscal irregularity, further investigation will be considered as provided in FmHA Instruction 2012-B (available in any FmHA office). If there is no indication of fraud or fiscal irregularity the case will be returned to the County Supervisor for appropriate corrective action.

(3) *Falsification or error by borrower.* The following actions will be taken when it is determined that excessive interest credit was granted because the borrower intentionally or otherwise provided incorrect information.

(i) The County Supervisor will inform the borrower by certified mail (return receipt requested) of the intent to cancel the Interest Credit Agreement and the effective date of such cancellation. The notice to the borrower will include the right to appeal as provided in § 1900.56 of this chapter. The borrower will also be informed of the amount of monthly payment required after proper corrections are made. A corrected Interest Credit Agreement will be prepared if the borrower remains eligible for a reduced amount of interest credit. The corrected agreement or cancellation will be submitted to the Finance Office only after the borrower's appeal right has expired or if the borrower has filed an appeal and a final decision has been made.

(ii) If the borrower does not appeal, or it is determined that the appeal is not valid, the case will be handled by one of the following methods:

(A) The State Director will request the Finance Office to cancel the Interest Credit Agreement as of the effective date of the current Form FmHA 1944-6 or earlier Form FmHA 1944-6 involved in the period of review or investigation. The Finance Office will then reapply any payment to the account at the note rate of interest or at the rate of the corrected Interest Credit Agreement and will notify the County Supervisor and borrower of any adjustment made in the account.

(B) If the borrower's action appears to have been deliberate and a major error occurred, liquidation may be warranted. For example, such actions may be taken if the information obtained indicates that the borrower was not eligible for an RH loan. Such a borrower will be asked to repay the RH loan by refinancing or otherwise satisfying the account. In other cases, the borrower may already be in default and the fact that the borrower had not correctly reported income may justify liquidation of the loan. The State Director may authorize the account to be repaid under an acceleration agreement if the conditions of § 1872.17(g) of this chapter (FmHA Instruction 465.1 paragraph XVII G) are met.

(C) When falsified information is provided to FmHA in order to qualify the borrower for interest credit (for example, a packager provides information for a borrower), but there is evidence that the borrower is not at fault or definitely did not intend to

provide false information, the borrower will be requested to pay the loan in full, including any improper and excessive interest credit that may have been granted. If, however, the borrower is unable to satisfy the account and the State Director determines that the Government's financial interest would not be jeopardized by leaving the loan outstanding, and that it would be inequitable to call it, the loan may be continued.

(D) In cases for which immediate liquidation is not warranted and the State Director determines the loan may be continued, the County Supervisor will make a diligent effort to obtain a lump sum restitution of the improperly advanced interest credit. If the borrower is unable to pay by lump sum payment Form FmHA 451-37 will be used to establish a new repayment schedule. The borrower will be charged interest on the improperly advanced interest credit at the same rate charged on the principal indebtedness.

(4) *Error by FmHA employee.* (i) When the borrower presented correct information and an FmHA employee erroneously granted excessive credit, the following action will be taken:

(A) The County Supervisor will inform the borrower by letter of the action to be taken and of the right to appeal as provided in paragraph (1) of this section.

(B) A cancellation of interest credit or a corrected interest credit agreement will be submitted to the Finance Office only after the borrower's appeal right has expired or if the borrower has filed an appeal and a final decision has been made. The State Director will authorize the Finance Office in writing to reverse and reapply payments made since the effective date of the cancellation or the corrected agreement. The Finance Office will then reapply any payments made on the account during the period in which incorrect interest credit was granted. Interest will be charged at the note rate or at the corrected interest credit rate as provided in paragraph (h)(2) of this section. The amount of improper interest credit will be charged to the borrower's account and become immediately due and payable. The County Supervisor and borrower will be notified of adjustments made in the account.

(C) If the Interest Credit Agreement is cancelled, the County Supervisor will make a diligent effort to obtain a lump sum restitution of the improperly advanced interest credit from the borrower. If this cannot be done, the County Supervisor will take one of the following courses of action:

(I) If the borrower can repay the improperly advanced interest credit over a reasonable period of time, the

County Supervisor will use Form FmHA 451-37 to establish a new repayment schedule. The borrower will be charged interest on the improperly advanced interest credit at the same rate charged on the principal indebtedness.

(2) If the County Supervisor determines that the borrower is unable to repay the improperly granted interest credit, that fact should be documented and the case forwarded to the State Director for review. If the State Director concurs with the findings of the County Supervisor, the case will be forwarded to the National Office with recommendations that the improperly advanced interest credit be forgiven.

(ii) When an error by an FmHA employee results in too little interest credit being granted a corrected agreement will be prepared effective the date of the error, if the error is \$5 or more per month or \$60 or more per year.

(k) *Cancellation of interest credit agreements.*—(1) *Reasons for cancellation.* An existing Interest Credit Agreement will be cancelled whenever:

(i) The borrower has never occupied the dwelling and FmHA will not continue with the loan.

(ii) The borrower ceases to occupy the dwelling.

(iii) The borrower sells or conveys the title to the property.

(iv) The borrower has received improper interest credit as outlined in § 1944.34(j) and a corrected Interest Credit Agreement will not be submitted.

(v) The borrower has an increase in income as outlined in § 1944.34(i)(3)(i) and is no longer eligible for interest credit.

(vi) The borrower has enlarged or improved the dwelling or added related facilities so that the housing exceeds modest standards for size, design and cost for previously occupied homes compared to other housing in the locality for low- and moderate-income families.

(2) *Effective date of cancellation.* The effective date of cancellation for paragraph (k)(1)(i) of this section will be date of loan closing. The effective date of cancellation for paragraphs (k)(1)(ii), (iii) and (iv) of this section will be the date on which the earliest action occurs which causes the cancellation. If the date cannot be determined, the date on which the County Supervisor became aware of the situation will be used. The effective date of cancellation for paragraph (k)(1)(v) and (vi) of this section will be the date on which the County Supervisor became aware of the situation. When an account has been accelerated and none of the conditions outlined in paragraph (k)(1) of this

section exist, the Interest Credit Agreement will remain in effect until the final foreclosure action is completed. However, if the existing agreement expires before the foreclosure action is completed an interest credit renewal agreement will not be prepared. If foreclosure action is dismissed, withdrawn or terminates without sale of the property or payment of the loan in full a renewal agreement will be prepared with an effective date as of the expiration of the previous agreement.

(3) *Notification to the Finance Office.* The County Supervisor will determine the date of cancellation and notify the Finance Office on Form FmHA 1944-15, "Interest Credit Agreement Cancellation (section 502 RH Loans)." The Finance Office will process the cancellation and will accrue interest from the date of cancellation at the rate of interest shown on the promissory note. Prompt notification to the Finance Office, using Form 1944-15, is extremely important, as any transaction affecting the borrower's account subsequent to cancellation will be incorrect if cancellation action has not been completed by the Finance Office.

(l) *Applicant or borrower notice of right to appeal.* All applicants or borrowers who request and are denied interest credit or whose interest credits are reduced, cancelled, or not renewed, will be notified of their appeal rights as required by § 1900.56 of this chapter except when:

(1) Interest credit is denied and the borrower acknowledges income is above published limits, or

(2) Interest credit is reduced because of income increases which the borrower acknowledges.

(m) *Submission to National Office.* The State Director may submit to the National Office for determination by the Administrator or a delegate any proposed transaction in which the conditions prescribed in the foregoing paragraphs of this section cannot be met, and it is determined that interest credit is necessary to avoid extreme hardship to the family or prevent foreclosure action. This paragraph is primarily intended to be used for those cases in which the granting of interest credit is necessary for the borrower to retain a dwelling for the borrower's own use, and there are no other means to do so. The State Director will submit to the National Office the County Office files together with full facts, justification, and recommendation.

§§ 1944.35-1944.36 [Reserved]

§ 1944.37 Subsequent Section 502 loans.

Subsequent Section 502 loans may be made to present borrowers for the same purpose and under the same conditions and limitations as initial loans, except as provided in this section.

(a) The subsequent loan will be processed in the same manner as initial loans, except that a new appraisal report will be required in accordance with § 1944.24 only when real estate will be taken as security and at least one of the following conditions exists:

(1) The property was not appraised in connection with the initial loan.

(2) The latest appraisal report of the real estate is over two years old.

(3) The physical characteristics of the property have changed significantly.

(4) The County Supervisor or loan approval official is uncertain of the adequacy of the security and request a new appraisal report.

(b) A subsequent RH loan may be made on a note-only basis, provided the amount of the subsequent loan plus the unpaid principal balance of any prior note-only RH loan or loans does not exceed \$2,500. Applicants for such loans must meet the requirements of § 1944.18(b)(1).

(c) When a real estate mortgage is required in connection with a subsequent RH loan, any outstanding RH notes will be described in the mortgage unless an exception can be made in accordance with Exhibit A, paragraph II F of FmHA Instruction 427.1 (available in any FmHA office).

(d) The subsequent loan will bear interest at a rate determined in accordance with Exhibit B of FmHA Instruction 440.1 (available in any FmHA office).

(e) When necessary to settle a divorce action, a subsequent loan may be made to permit the remaining borrower, if eligible, to purchase the equity of the departing spouse.

(f) When an area designation has been changed from rural to non-rural, subsequent RH loans may be made only in accordance with the provisions of § 1944.10(g)(4).

(g) The initial RH loan may be reamortized with the prior authorization of the District Director. Authority to reamortize an account will be granted in those cases in which it is determined that the borrower cannot reasonably be expected to meet installments due unless the account is reamortized. It will be processed in accordance with § 1951.314 or § 1951.40 of this chapter.

§ 1944.38 Mutual self-help housing loans.

Applicants who are unable to build modest dwellings by customary methods, because of limited income and repayment ability, may build their homes by participating in a mutual self-help housing project. The County Supervisor will not approve RH loans or proceed in the development of a self-help project without prior authorization of the State Director. If an organization applies for a Technical Assistance (TA) grant, the District Director will submit Form AD-625, "Application for Federal Assistance (Short Form)", and all related information concerning the technical assistance grant to the State Director. If it is determined that the technical assistance grant has been approved for funding, the State Director may issue written authorization for the County Supervisor to approve Mutual Self-Help Housing loans. Exhibit C, "Mutual Self-Help Housing Guidelines", will be used as a guide for developing self-help projects and counseling with participating families. The County Supervisor, in counseling with families participating in self-help housing projects, will determine the anticipated time required for construction.

§ 1944.39 RH loans to FmHA employees and loan closing officials.

FmHA employees, County Committee members, and loan-closing officials, or their spouses may receive a Section 502 RH loan subject to the provisions of this Subpart and the following conditions:

(a) The application will be submitted to the County Office in the usual manner. Written evidence indicating the applicant's inability to obtain the needed credit will be included. The County Office will obtain the verification of employment and credit report and submit the application and related information to the District Director for review. The District Director will forward the applicant's docket, along with written recommendation concerning the applicant's eligibility, to the State Director for eligibility determination.

(b) The State Director will determine the eligibility of the applicant. If eligible, the docket will be returned to the District Director for processing. If the applicant is determined ineligible, the State Director will notify the applicant in writing and will provide the applicant all information required by § 1910.6(b) of this chapter.

(c) The application will be retained in the County Office and will be processed in the same order as other applications. The District Director will be notified when the application is in order for

processing and will be responsible for the complete loan processing.

(d) If the loan applicant works outside the county in which the application is filed, the District Director may permit authorized County Office staff to perform the appraisal function. In all other cases the District Director will appraise the property or have it appraised by a qualified FmHA appraiser from outside the County Office area in which the loan is to be made. The completed loan docket together with the District Director's written recommendation will be submitted to the State Director for consideration of approval.

(e) If the applicant is an employee in the District Office, the State Director will designate another District Director to process the application.

(f) The State Director must, before approving the loan, determine that the applicant has not been and will not be given any advantage because of the FmHA relationship and the making of a loan will not result in a conflict of interest under FmHA Instruction 2045-BB (available in any FmHA office). The dwelling may not exceed the needs of the applicant or be excessive in size, design, or cost when compared to other FmHA financed dwellings in the area.

(g) If the loan is approved, the borrower's case file will not be maintained or serviced in the office where the borrower is or will be employed. If the property is in the area serviced by the office of employment the State Director will designate another District or County Office to service the loan.

(h) If the loan involves any type of construction, the inspections for FmHA will be made by the District Director or another member of the District Director's staff as designated by the District Director. Under no circumstances will the employee receiving the loan make the inspections for FmHA.

(i) Loans, credit sales, or assumption agreements will not be approved under this authority for any of the following purposes:

- (1) Purchase of inventory property.
- (2) Purchase of a dwelling from a RH borrower.
- (3) Purchase of FmHA security property being sold at foreclosure sale.

§ 1944.40 Rural housing disaster (RHD) loans.

RHD loans may be made to repair or replace dwellings which were damaged or destroyed by a natural disaster such as earthquake, flood, forest fire, severe windstorm, or lightning.

(a) *Eligibility requirements.* (1) The applicant must meet the requirements of § 1944.8 and § 1944.9.

(2) Nonfarm applicants must have occupied the dwelling as their permanent residence.

(3) The loss by a nonfarm applicant was not the result of a major disaster designated by the President or a natural disaster designated by the Administrator of the Small Business Administration.

(4) The loss by a farmer was not the result of a major disaster designated by the President or a natural disaster designated by the Secretary of Agriculture.

(5) The loan application must be filed within 12 months after the date the loss occurred.

(6) The applicant must use available assets, including insurance loss payments, and other assistance, to the extent available, to repair or replace the damaged or destroyed buildings.

(b) *Repair or replacement of buildings.* Repair or replacement of any damaged or destroyed building must be consistent with the basic section 502 loan policies. Changes may be made in the building, but in any case the repaired or replaced building should not be significantly larger or more costly than the original building except as necessary to provide a building which is adequate but modest. Any new dwelling constructed must meet the limitations established by § 1944.16.

(c) *Interest rate and source of funds.*

(1) RHD loans will be made at an interest rate of 5 percent. Interest credit will not be granted for RHD loans.

(2) Insured loan funds will be used for RHD loans.

(d) *Approval authorization.* The State Director, County and Assistant County Supervisors are authorized to approve RHD loans in accordance with FmHA Instruction 1901-A (available in any FmHA office) for Section 502 RH loans.

(e) *Deferred payments.* The initial payments of principal and interest, or principal only, may be deferred so as not to become due until as late as the third January 1 for annual payment notes, or the third anniversary date of the note for monthly payment notes, subject to all of the following conditions:

(1) The applicant, as a result of the loss suffered from the disaster, has had a substantial loss of income; or debts, including the proposed RHD loan, have increased substantially as a result of the disaster.

(2) The income loss or increase in debts must be sufficiently great so that the applicant will not likely be able to pay in full the installments that ordinarily would be due during the

proposed deferment period and also meet other obligations.

(3) The applicant's other debts must be adjusted by reduction, reamortization, extension, or other means to the extent possible by negotiation with other creditors.

(4) The applicant's income will be sufficient after the deferment period to enable the applicant to meet the payments on the RHD loan and all other obligations.

(f) *Form FmHA 1940-1.* The appropriate assistance code number will be entered in the space provided to indicate the nature of the loss.

§§ 1944.41-1944.43 [Reserved]

§ 1944.44 Borrower graduation.

Borrowers will be requested to apply for refinancing of RH loans if credit may be available from another source at rates and terms prevailing in the area for homeownership loans. The borrower must apply for and, if approved by the lender, accept the refinancing loan. Graduation reviews will be conducted in accordance with Part 1865 of this chapter (FmHA Instruction 451.6).

§ 1944.45 Conditional commitments.

(a) *General.* A conditional commitment is assurance from FmHA to a qualified builder or seller that dwellings to be built or rehabilitated and offered for sale, will be acceptable for purchase by qualified RH loan applicants if built in accordance with FmHA approved plans and specifications and priced at not more than a specified maximum amount. The conditional commitment does not reserve funds for a loan nor does it assure that a loan applicant will be available to buy the dwelling.

(b) *Eligibility:* To be eligible for conditional commitments, the builder or seller must:

(1) Be the owner as defined in § 1944.15, before construction is started, of the site on which the dwelling is located or to be built, except as indicated in Subpart G of Part 1822 of this chapter (paragraph VII L of FmHA Instruction 444.8).

(2) Have the experience and ability to complete the type of proposed work in a competent and workmanlike manner.

(3) Be financially responsible and have the ability to finance or obtain financing for the proposed housing or rehabilitation.

(4) Comply with the requirements of Subpart E of Part 1901 of this chapter and the Equal Credit Opportunity Act as required by § 1910.2 of this chapter.

(5) Plan to build or rehabilitate dwellings which will qualify for

purchase by RH applicants and which will be in compliance with all applicable laws, ordinances, and codes.

(6) Have the legal capacity to enter into the required agreements and the actual capacity to carry them out.

(c) *Limitations:* (1) Conditional commitments will be issued only in cases where the commitment applicant's selling price does not exceed the commitment price, which will never be more than the appraised value minus customary closing costs.

(2) Conditional commitments will be issued by FmHA only for new homes to be constructed or existing homes to be rehabilitated.

(3) Conditional commitments will not be issued after construction has started.

(4) Number of conditional commitments.

(i) The total number of commitments issued in any locality will not exceed the number of homes for which there is an immediate and ready market in that locality.

(ii) The number of houses on which conditional commitments will be outstanding to a commitment applicant at any time will not exceed 15 in any one county unless authorized by the State Director after the State Director:

(A) Determines that a larger number of commitments must be made to meet the immediate housing needs in the area;

(B) Determines that authorizing more than 15 commitments to one commitment applicant will not reduce the participation of small volume builders in the Rural Housing program; and

(C) Provides guidelines to the County Supervisor to assure that all builders active in the area have equal opportunity to obtain more than 15 conditional commitments.

(iii) The total number of conditional commitments outstanding in the area served by a County Office will not exceed the number on which the County Supervisor can reasonably expect to be able to approve RH loans within 3 months after the houses covered by the commitments are completed, considering the availability of loan funds and the number of applications in the County Office.

(5) The period of the conditional commitment will be for 12 months from the date of issue. The commitment may be extended for an additional 6 months if justified because of (1) unexpected delays in construction caused by such factors as bad weather or materials shortages, or (2) marketing difficulties.

(6) When five or more conditional commitments have been issued during a 12 month period an affirmative

marketing plan will be submitted in accordance with § 1901.203 (c) of Subpart E of Part 1901 of this chapter.

(d) *Conditional commitments involving packaging of applications:* A conditional commitment may be made to a builder who packages a Rural Housing application for an applicant to buy the property. In cases when the dwelling is presold and is to be constructed for sale only to a specific applicant and the information on the house and the loan applicant is submitted at the same time, all of the following conditions must be met to avoid misunderstanding of FmHA's obligation to either the RH applicant or the conditional commitment applicant:

(1) The conditional commitment will not be approved until the RH loan has been approved.

(2) Construction will not begin until the County Office has received notice from the Finance Office that funds are obligated for the RH loan.

(3) The RH loan will be closed only after the dwelling is constructed or the rehabilitation completed and final inspection has been made.

(e) *Fees:* Each commitment applicant will pay an application fee at the time an application is submitted for a conditional commitment. The fee for each dwelling will be:

(1) For proposed construction of new dwellings—\$65.

(2) For existing dwellings to be rehabilitated—\$50.

(f) *Processing applications.* (1) Applications for conditional commitments will be submitted on Form FmHA 1944-36 "Application for Conditional Commitment". Attachments as outlined on the form will be included for each individual dwelling for which a conditional commitment is requested.

(2) *Transmittal of fees.* The County Supervisor will transmit application fees on Form FmHA 451-2, "Schedule of Remittances". The payment will be handled with all other payments for the day in accordance with Subpart B of Part 1951 of this chapter and the FMI for Form FmHA 451-2.

(3) *Evaluation of applications.* The County Supervisor will take the following actions in the order specified:

(i) Determine whether the commitment applicant meets the requirements of paragraph (b) and (c) of this section.

(ii) Determine whether the dwelling and site meet the requirements of this Subpart and Subpart A of Part 1924 of this chapter and will comply with all local codes and ordinances. The property must meet the requirements of Subpart D of Part 1804 of this chapter (FmHA Instruction 424.5).

(iii) If the commitment applicant and the dwelling and site have qualified, an appraisal will be made in accordance with FmHA Instruction 422.3 (available in any FmHA office).

(4) *Failure of applicant or dwelling to qualify.* In case any commitment applicant or dwelling does not qualify for a conditional commitment, the documents attached to the application will be returned to the commitment applicant with a letter explaining why the application was not approved. If the application is denied for failure to meet the requirements of paragraph (b)(2) or (3) of this section, notice of appeal rights will be given as required by § 1900.56 of this chapter.

(i) The application fee will be refunded if for any reason preliminary inspection of the property or investigation of the commitment applicant indicates that a conditional commitment cannot be issued. For example, the property might be located in a nonrural area or the dwellings may not be of a type that the FmHA can appropriately finance. If a refund is required, a memorandum should be sent to the Finance Office indicating the commitment applicant's name together with the date and amount of fees paid. The memorandum should also indicate the number of commitments being denied and amount of fees to be refunded.

(ii) Application fees will not be refunded for any property on which the appraisal has been made.

(5) *Conditional commitment approval.* The State Director, District Director, County and Assistant County Supervisors are authorized to approve conditional commitments provided the commitment price does not exceed the loan approval authority for Section 502 RH loans as outlined in Subpart A of Part 1901 of this chapter (available in any FmHA office). If the application is approved, the County Supervisor will complete and sign Form FmHA 444-11 "Conditional Commitment". When a qualified applicant applies for a loan to buy a dwelling on which a conditional commitment has been issued, the RH loan docket will be transferred to the conditional commitment folder.

(g) *Inspections.* Inspections of work to be done will be performed in accordance with Subpart A of Part 1924 of this chapter. Failure to correct any deficiencies or to complete the work in accordance with plans and specifications approved by FmHA will be a basis for cancelling the conditional commitment.

(h) *Changes in plans, specifications, and/or commitment price.* The County Supervisor is authorized to approve

changes in plans and specifications that are consistent with HUD MPS and Exhibit D of Subpart A of Part 1924 of this chapter. If the changes are requested after an option has been executed by a rural housing applicant, the change will be approved only after the applicant and the commitment holder submit a written request for approval. If a change will reduce or increase the appraised value of the property, the County Supervisor will revise the commitment price and inform the commitment holder. Also, in cases when the holder of a commitment reports to the County Supervisor that costs associated with the construction or repair of a dwelling have increased, the approval official may increase the commitment price provided the property has not been optioned by an RH applicant, and the County Supervisor determines that the increase is clearly justified, the circumstances causing the price increase were beyond the commitment holder's control, and the value of the property is adequate to permit the increased commitment price. A revised appraisal report will be prepared. The conditional commitment will be revised, initialed, and dated by the person authorizing the change.

(i) *Cancellation of outstanding conditional commitments.* (1)

Conditional commitments may be cancelled when construction of the dwelling is not begun within 60 days after the commitment is issued.

(2) Conditional commitments will be cancelled when construction is not in accordance with all FmHA requirements, approved plans, specifications, or MPS, and the builder refuses to make corrections necessary for compliance.

(j) *Folder maintenance.* Documents prescribed in this Subpart will be filed in accordance with FmHA Instruction 2033-A (available in any FmHA office.).

(k) *Builder's warranty.* The builder or seller, as appropriate, will execute Form FmHA 424-19, "Builder's Warranty", or provided a 10-year insured warranty when the loan to buy the dwelling is closed.

§ 1944.46 Construction financing for builders by private credit sources.

(a) The purpose of this section is to provide a method by which a builder may be able to obtain construction credit from commercial sources of credit. It may eliminate the need to use a supervised bank account and also eliminate the need for the borrower to make payments on the loan during construction.

(b) This method may be used under the following conditions:

(1) A conditional commitment has been or will be issued, an RH loan approved, and funds obligated for the applicant in accordance with § 1944.45, or

(2) The applicant owns a building site and will contract the construction or improvement of the building or buildings. In such a case:

(i) The applicant will retain ownership of the site and not convey title to the builder, and

(ii) The lender providing the construction financing will not take a mortgage on the site owned by the applicant or otherwise require the applicant to secure the construction loan.

(c) This method may not be used if the RH loan is made in participation with an FO or an individual SW loan.

(d) Loan docket forms will be prepared in accordance with § 1944.30 of this Subpart. Applicants who own the building site will be required to obtain and submit to the County Supervisor preliminary title evidence in accordance with Part 1807 of this chapter (FmHA Instruction 427.1). Satisfactory title or leasehold interest in the property must be confirmed before execution of Form FmHA 424-6, "Construction Contract," and Form FmHA 444-16, "Notice of Loan Approval".

(e) When Form FmHA 440-57 is received from the Finance Office, the County Supervisor will complete and sign an original and one copy of Form FmHA 444-16. The original of Form FmHA 444-16 will be given to the builder and a copy will be retained in the loan docket.

(f) The builder may present Form FmHA 444-16, Form FmHA 444-11, Form FmHA 440-34, or Form FmHA 424-6, as appropriate, to a commercial lender to obtain construction financing. The County Supervisor will make no commitments to the lender except as indicated on the above forms.

(g) The required inspections will be made by FmHA or a firm or company that will provide a 10 year insured warranty. In all cases the final inspection will be made by FmHA. Copies of Form FmHA 424-12, "Inspection Report," will be provided to the builder and, if requested, to the commercial lender.

(h) The lender is responsible for determining the amount that will be advanced to the builder under the construction financing arrangement, and for determining any measures necessary to protect its interest.

(i) When construction is completed, the loan will be closed in accordance with Subpart A of Part 1807 of this Chapter (FmHA Instruction 427.1),

usually within 10 days after satisfactory completion of construction.

§§ 1944.47-1944.50 [Reserved]

Exhibit A—Information Required To Package Applications for Section 502 Rural Housing Loans

I *General Information:* Persons or organizations that want to assist applicants in submitting applications to the Farmers Home Administration (FmHA) should first meet with the County Supervisor. If these discussions indicate that the person or organization is capable of satisfactorily delivering complete information about applicants and houses that are likely to qualify for Rural Housing (RH) loans, the County Supervisor will review in detail the information that is needed and the processing steps required in completing an RH loan. The County Supervisor will provide assistance and guidance to all packagers in obtaining the required information. The following FmHA forms and this exhibit may be provided to prospective packagers as needed:

A Form FmHA 1944-12, "Rural Housing Loan Application Package."

B Form FmHA 410-4, "Application for Rural Housing Loans (Nonfarm Tract)."

C Form FmHA 410-1, "Application for FmHA Services."

D Form FmHA 410-5, "Request for Verification of Employment."

E Form FmHA 424-2, "Description of Materials."

F Form FmHA 440-34, "Option to Purchase Real Property."

II *Information Packager or Applicant Must Provide.—A Information to be submitted for all applicants.*

1 The applicant should complete the appropriate application form (Form FmHA 410-1 or 410-4).

a All information must be complete and accurate.

b If the applicant has business income, the current operating statement must be attached.

c The applicant must date and sign the application form.

2 Form FmHA 410-5 is used to check employment and income of applicants. The form should be mailed to the employer to be completed and returned directly to the County Office. FmHA will not provide franked envelopes to a packager for this purpose.

3 In cases where it appears that the applicant has sufficient income or assets to qualify for housing credit from another source, a diligent effort must be made to obtain such credit from at least two lenders who customarily make long-term housing loans in the area. If such lenders are unable to provide the credit needed, their written response stating why they cannot assist the applicant should be included in the loan package.

4 The information specified in paragraphs II B or II C of this Exhibit, whichever is applicable, will be submitted. In case FmHA has issued a conditional commitment on the property, information on the house will be on

file in the County Office and need not be resubmitted.

5 If a house to be purchased is under construction, the loan will not be closed until construction is completed. In such a case the information in paragraph II C of this Exhibit will be submitted.

B *Information needed for loans to purchase new homes or to build or rehabilitate homes.* The information requested on the front page of Form FmHA 1944-36 will be submitted along with the completed form. This applies regardless of whether a conditional commitment is being requested in connection with the package.

C *Information to be submitted for loans to buy existing homes.* 1 Form FmHA 1944-12 "Rural Housing Loan Application Package."

2 A signed or certified copy of an option on the property. The option must provide that any payments made by the applicant will be refunded if the loan cannot be made. Form FmHA 440-34, may be used for this purpose.

3 A termite certification whenever required.

4 In case major improvements are involved, submit three sets of complete drawings and specifications of the work that must be done, and a contractor's bid or a reliable cost estimate.

5 If the house qualifies as an existing home, is less than a year old, and an individual water or sewage system is involved, include a certification by the builder that the house and any water and waste disposal system have been or will be built or installed in accordance with the local building codes and plans and specifications. Such plans and specifications will also be submitted. Evidence of approval by health authorities having jurisdiction in the area also will be included. If the house is a year or more old, the County Supervisor will determine that the water and/or sewage system is functionally adequate and that the house meets FmHA requirements.

6 Direction map to the property.

7 Plot plan drawn to scale showing house location and related facilities.

III *Review and Acceptance of Completed Package:* During the initial discussions with packagers, the packager should understand the necessity for, and agree that, the loan packages will be assembled in the order shown on Form FmHA 1944-12 before they are delivered to the County Office. Form FmHA 1944-12 must be signed by the packager and be included with the materials submitted; otherwise, the packaged application will not be accepted. The County Supervisor will review each loan package when it is received and request any additional information needed. An affirmative fair housing plan will be submitted in accordance with § 1901.203 (c) of Subpart E of Part 1901 of this chapter. The County Supervisor will determine eligibility according to Subpart A of Part 1910 of this chapter but will not proceed with the processing of the loan until the applicant has been interviewed. A personal interview will be conducted by an FmHA employee with all applicants before approval of the requested loan in accordance with § 1944.26(c).

A If the applicant appears to be qualified and all needed material is available, the

County Supervisor will process the application in accordance with the regulations.

B If a loan can be approved, the County Supervisor will notify the applicant including any requirements that must be met prior to closing the loan. If for any reason a loan cannot be made, the County Supervisor will notify the applicant and the packager. If the loan is denied because the applicant is determined ineligible the applicant will be notified in accordance with § 1910.6 of this chapter.

IV *Packagers' Responsibilities:* Packagers should fully understand their responsibilities in helping applicants to assemble their RH loan applications and that no fees may be charged for providing this service. Packagers must also comply with the requirements of Subpart E, Part 1901 of this chapter, "Civil Rights Compliance Requirements", and the Equal Credit Opportunity Act as provided in § 1910.2 of this chapter.

V *District Directors' Review of Loans Originated by Application Packagers:* District Directors are responsible for reviewing the file of a representative number of borrowers whose RH applications were submitted to the County Office by a packager. At least 5 percent of the cases packaged by each packager working in the county will be reviewed. The folders reviewed will be randomly selected and reviewed at scheduled office visits throughout the year in accordance with §§ 2006.604(c) and 2006.605(a)(1) of FmHA Instruction 2006-M (available in any FmHA office). The review will be made to determine whether: The applicant's income was properly verified; any credit report received was mailed from the Credit Reporting firm directly to the County Supervisor; the County Supervisor interviewed and counseled with the applicant prior to loan approval; the applicant was eligible for the RH assistance granted; and the loan was in accordance with FmHA procedures. Any incidence of unethical activity by a packager or the approval of improper loans by a County Supervisor will be reported promptly to the State Director for appropriate handling.

Exhibit B—Addresses for Authentication of Alien Registration Cards

This Exhibit lists the addresses of the Immigration and Naturalization Service district offices. To comply with § 1944.9(c) of this Subpart, County Supervisors will request verification of the validity of alien registration cards by writing to the nearest office. Following the list of offices is a sample letter that may be used for authenticating the Alien Registration cards.

A list of these offices follows:

Albany, New York 12207, Post Office and Courthouse, Room 220, 445 Broadway
Anchorage, Alaska 99501, U.S. Post Office and Courthouse Building, Room 401, 632 W. 6th Avenue.
Atlanta, Georgia 30309, 1430 West Peachtree Street, NW.
Baltimore, Maryland 21201, E. A. Garmatz Federal Building, 100 S. Hanover St.
Boston, Massachusetts 02203, John Fitzgerald Kennedy Federal Building, Government Center

Buffalo, New York 14202, 68 Court Street
Chicago, Illinois 60604, Dirksen Federal Office Building, 219 South Dearborn Street
Cincinnati, Ohio 45201, U.S. Post Office and Courthouse, 5th and Walnut Streets, Post Office Box 537
Cleveland, Ohio 44199, Anthony J. Clebrezze, Room 1917, Federal Building, 1240 East 9th Street
Dallas, Texas 75202, Room 1C13, Federal Building, 1100 Commerce Street
Denver, Colorado 80202, 17027 Federal Office Building
Detroit, Michigan 48207, Federal Building, 333 Mount Elliott Street
El Paso, Texas 79984, 343 U.S. Courthouse, Post Office Box 9398
Hammond, Indiana 46320, 102 Federal Building, 507 State Street
Hartford, Connecticut 06105, 900 Asylum Avenue
Helena, Montana 59601, Federal Building, Post Office Box 1724
Honolulu, Hawaii 96809, 595 Ala Moana Boulevard, Post Office Box 461
Houston, Texas 77208, Federal Building, U.S. Courthouse, 515 Rusk Avenue, Post Office Box 61630
Kansas City, Missouri 64108, Suite 1100, 324 E Eleventh Street
Los Angeles, California 90012, 300 North Los Angeles Street
Los Fresnos, Texas 78566, Route 3, Box 341
Memphis, Tennessee 38104, 814 Federal Building, 167 North Main Street
Miami, Florida 33130, Room 1324, Federal Building, 51 Southwest First Avenue
Milwaukee, Wisconsin 53202, Room 186 Federal Building, 517 East Wisconsin Avenue
Newark, New Jersey 07102, Federal Building, 970 Broad Street
New Orleans, Louisiana 70113, Postal Services Building, 701 Loyola Avenue
New York, New York 10007, 26 Federal Plaza
Norfolk, Virginia 23502, Room 207, Bank of Virginia Building, 870 North Military Highway
Omaha, Nebraska 68102, Room 1008, Federal Office Building, 106 South 15th Street
Philadelphia, Pennsylvania 19106, Room 1321 U.S. Courthouse, Independence Mall West, 601 Market Street
Phoenix, Arizona 85025, Federal Building, 230 North First Avenue
Pittsburgh, Pennsylvania 15222, 2130 Federal Building, 1000 Liberty Avenue
Port Isabel, Texas 78566, Rural Route 3
Portland, Maine 04112, 76 Pearl Street
Portland, Oregon 97209, Federal Office Building, 511 N.W. Broadway
Providence, Rhode Island 02903, Federal Building, U.S. Post Office, Exchange Terrace
Reno, Nevada 89502, Suite 150, 350 South Center Street
Saint Albans, Vermont 05478, Federal Building, Post Office Box 591
Saint Louis, Missouri 63101, Room 423, U.S. Courthouse and Customhouse, 1114 Market Street
Saint Paul, Minnesota 55111, 180 East Kellogg Blvd.
Salt Lake City, Utah 84138, Room 4103, New Federal Building, 125 South State Street

San Antonio, Texas 78206, Suite A301, U.S.
Federal Building, 727 East Durango
San Diego, California 92188, 880 Front Street
San Francisco, California 94111, Appraisers
Building, 630 Sansome Street
San Juan, Puerto Rico 00936, U.S. Immigration
and Naturalization Service, GPO Box 5068,
Hato Rey, Puerto Rico
Seattle, Washington 98134, 815 Airport Way,
South
Spokane, Washington 99201, 691 U.S.
Courthouse Building
Washington, D.C. 20538, 1025 Vermont
Avenue NW.

**Sample Letter for Authenticating Alien
Registration Cards**

To: Immigration and Naturalization Officer

Subject: (Mr.) (and Mrs.)

(Passport or Alien Registration Number)
(Address)

(Mr.) (and Mrs.) (Ms.) (has) applied
for a Rural Housing loan from the Farmers
Home Administration (FmHA). One condition
for eligibility of noncitizens is that the
applicant has been admitted to the United
States for permanent residency or on
indefinite parole.

Please advise whether the identified alien
registration card is valid and entitles the
holder to remain in the United States for
permanent residency or on indefinite parole
by completing the last paragraph of this letter
and signing in the space provided. Attached
is a self-addressed franked envelope for
returning the information to this office.

Sincerely,

County Supervisor, FmHA

County Office Address

Privacy Act Consent

I have stated to FmHA personnel that I
have been admitted to the U.S. (for
permanent residency) (on indefinite parole).
My signature below authorizes verification of
the requested information.

Applicant

Alien Registration Card No. (is) (is
not) valid and (does) (does not) entitle the
holder to remain in the U.S. (for permanent
residency) (on indefinite parole).

Signature

Title
Immigration and Naturalization Service

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS

Area/county	Very low 50% median	Low income	Modera- te income
Maximum adjusted incomes for rural housing programs in Alabama			
Northwest: Colbert, Franklin, Lauderdale, Marion, Winston	\$8,700	\$14,000	\$19,500
West: Bibb, Fayette, Greene, Hale, Lamar, Pickens, Tuscaloosa	7,000	11,500	17,000
Birmingham: Blount, Chilton, Jefferson, Shelby, St. Clair, Walker	9,900	15,000	20,500
East: Calhoun, Chambers, Cherokee, Clay, Cleburne, Coosa, Etowah, Randolph, Talladega, Tallapoosa	6,500	14,000	19,500
South Central: Bullock, Butler, Crenshaw, Lowndes, Macon, Pike	6,200	11,500	17,000
Tombigbee: Chocoma, Clarke, Conecuh, Dallas, Marengo, Monroe, Perry, Sumter, Washington, Wilcox	6,600	11,500	17,000
Southeast: Barbour, Coffee, Covington, Dale, Geneva, Henry, Houston	6,000	13,000	18,500
South: Baldwin, Escambia, Mobile	9,200	15,000	20,500
Central: Autauga, Elmore, Montgomery	10,300	15,000	20,500
Lee County: Lee, Russell	9,900	15,000	20,500
North Central: Cullman, Lawrence, Morgan	8,200	13,500	19,000
Top of Alabama: De Kalb, Jackson, Limestone, Madison, Marshall	6,600	14,000	19,500
Maximum adjusted incomes for rural housing programs in Arizona			
Maricopa: Mesa, Peoria, Buckeye, Avondale	12,200	18,000	23,500
Tucson: Tucson	11,000	18,000	23,500
District III: Prescott, Cottonwood, Flagstaff, Holbrook, Snowflake, Springerville, Winslow, Rock	6,500	14,000	19,500
District IV: Kingman, Lake Havasu, Parker, Yuma	10,600	17,000	22,500
District V: Sacaton, Florence, Eloy, Casa Grande, Globe	9,900	16,000	21,500
District VI: Wilcox, Benson, Douglas, Nogales, Safford	10,100	16,500	22,000
Maximum adjusted incomes for rural housing programs in Arkansas			
West Central: Clark, Conway, Garland, Hot Springs, Johnson, Montgomery, Perry, Pike, Pope, Yell	7,500	12,500	18,000
Southwest: Calhoun, Columbia, Dallas, Hempstead, Howard, Lafayette, Little River, Miller, Nevada, Ouachita, Sevier, Union	7,700	12,500	18,000
Southeast: Arkansas, Ashley, Bradley, Chicot, Cleveland, Desha, Drew, Grant, Jefferson, Lincoln	7,000	11,500	17,000
Northwest: Baxter, Benton, Boone, Carroll, Madison, Marion, Newton, Searcy, Washington	7,300	12,000	17,500
East: Clay, Craighead, Crittenden, Cross, Greene, Lawrence, Lee, Mississippi, Phillips, Poinsett, Randolph, St. Francis	7,100	11,500	17,000
White River: Cleburne, Fulton, Independence, Izard, Jackson, Sharp, Stone, Van Buren, White, Woodruff	6,300	11,500	17,000
Central: Faulkner, Lonoke, Monroe, Prairie, Pulaski, Saline	9,400	15,000	20,500

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moderate income
Western:			
Crawford, Franklin, Logan, Polk, Scott, Sebastian	7,400	12,000	17,500
Maximum adjusted incomes for rural housing programs in California			
District 1:			
Colusa, Del Norte, Glenn, Humboldt, Lassen, Modoc, Shasta, Siskiyou, Tehama, Trinity	10,300	16,500	22,000
District 2:			
Butte, El Dorado, Nevada, Placer, Plumas, Sacramento, Sierra, Sutter, Yuba	11,800	18,000	23,500
District 3:			
Alpine, Amador, Calaveras, Madera, Mariposa, Merced, San Joaquin, Stanislaus, Tuolumne	11,400	18,000	23,500
District 4:			
Alameda, Contra Costa, Lake, Marin, Mendocino, Monterey, Napa, San Benito, San Francisco, San Luis Obispo, Santa Cruz, Santa Barbara, Solano, Sonoma, Ventura, San Mateo, Santa Clara	12,900	18,000	23,500
District 5:			
Fresno, Kings, Tulare	10,100	16,500	22,000
District 6:			
Imperial, Inyo, Kern, Orange, Riverside, San Bernardino, San Diego, Los Angeles, Mono	11,800	18,000	23,500
Maximum adjusted incomes for rural housing programs in Colorado			
Region 1:			
Morgan, Washington, Logan, Sedgwick, Yuma, Phillips	10,000	16,500	22,000
Region 2:			
Weld, Larimer	11,800	18,000	23,500
Region 3:			
Boulder, Gilpin, Clear Creek, Jefferson, Adams, Arapahoe, Douglas	14,100	18,000	23,500
Region 4:			
Park, Teller, El Paso	11,400	18,000	23,500
Region 5:			
Elbert, Lincoln, Cheyenne, Kit Carson	9,600	15,500	21,000
Region 6:			
Baca, Bent, Prowers, Kiowa, Otero, Crowley	8,700	14,000	19,500
Region 7:			
Pueblo	12,100	18,000	23,500
Region 7B:			
Las Animas, Huerfano	7,800	13,500	19,000
Region 8:			
Saguache, Mineral, Rio Grande, Alamosa, Conejos, Costilla	9,000	14,500	20,000
Region 9:			
Dolores, Montezuma, San Juan, La Plata, Archuleta	9,500	15,500	21,000
Region 10:			
Gunnison, Hinsdale, Ouray, San Miguel, Montrose, Delta	8,800	14,500	20,000
Region 11:			
Mesa, Garfield, Rio Blanco, Moffat	10,300	16,500	22,000
Region 12:			
Route, Jackson, Grand, Summit, Eagle	12,000	18,000	23,500
Region 13:			
Lake, Chaffee, Fremont, Custer, Pitkin	9,800	16,000	21,500
Maximum adjusted incomes for rural housing programs in Connecticut			
Hartford	14,600	18,000	23,500
Litchfield	14,000	18,000	23,500
Middlesex	14,800	18,000	23,500
New Haven	13,800	18,000	23,500
New London (E)	13,900	18,000	23,500
New London (W)	13,900	18,000	23,500
Windham (E)	12,200	18,000	23,500
Windham (W)	12,200	18,000	23,500
Tolland	16,100	18,000	23,500
Fairfield	21,800	18,000	23,500
Maximum adjusted incomes for rural housing programs in Delaware			
Kent	10,400	15,000	20,500
New Castle	13,800	15,000	20,500
Sussex	10,100	15,000	20,500
Maximum adjusted incomes for rural housing programs in Florida			
District 1:			
Escambia, Okaloosa, Santa Rosa	9,300	15,000	20,500
District 2:			
Bay, Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Jefferson, Leon, Liberty, Wakulla, Walton, Washington	7,800	13,000	18,500
District 3:			
Alachua, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Lafayette, Suwannee, Madison, Taylor, Union	8,600	14,000	19,500
District 4:			
Baker, Clay, Duval, Flagler, Nassau, Putnam, St. John	10,300	15,000	20,500
District 5:			
Citrus, Hernando, Levy, Marion, Sumter	7,400	12,000	17,500
District 6:			
Brevard, Lake, Seminole, Orange, Osceola, Volusia	9,400	15,000	20,500
District 7:			
De Soto, Hardee, Highlands, Okeechobee, Polk	8,900	14,500	20,000

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moderate income
District 8: Hillsborough, Manatee, Pasco, Pinellas	9,500	15,000	20,500
District 9: Charlotte, Collier, Glades, Hendry, Sarasota, Lee	9,500	15,000	20,500
District 10: Indian River, Martin, Palm Beach, St. Lucie	9,500	15,000	20,500
District 11: Broward, Dade, Monroe	11,600	15,000	20,500

Maximum adjusted incomes for rural housing programs in Georgia

Coastal APDC: Liberty, Long, McIntosh, Glynn, Camden, Effingham, Bryan, Chatham	9,800	15,000	20,500
Northeast: Jackson, Barrow, Madison, Elbert, Clarke, Oglethorpe, Oconee, Walton, Morgan, Greene	11,000	15,000	20,500
Central Savannah River: Lincoln, Walker, Taliaferro, Warren, McDuffie, Glascock, Jefferson, Emanuel, Screven, Jenkins, Columbia, Burke, Richmond	8,400	13,500	19,000
Altamaha South: Appling, Candler, Bulloch, Evans, Jeff Davis, Tattnall, Toombs, Wayne	7,700	12,500	18,000
Atlanta Reg: Cobb, Douglas, Fulton, Clayton, De Kalb, Rockdale, Gwinnett	12,800	15,000	20,500
Middle: Monroe, Jones, Crawford, Bibb, Twiggs, Peach, Houston	10,100	15,000	20,500
South: Turner, Ben Hill, Irwin, Tift, Cook, Berrien, Brooks, Lowndes, Lanier, Echols	7,900	13,000	18,500
Middle Flint: Webster, Taylor, Macon, Marion, Schley, Dooly, Crisp, Sumpter	7,600	12,500	18,000
Lower Chattahoochee: Clay, Columbus, Harris, Talbot, Chattahoochee, Stewart, Quitman, Randolph	7,400	12,000	17,500
Oconee area: Jasper, Putnam, Hancock, Baldwin, Washington, Wilkinson, Johnson	8,100	13,000	18,500
Coosa region: Dade, Haralson, Walker, Caloosa, Chattooga, Gordon, Floyd, Bartow, Polk, Paulding	10,100	15,000	20,500
Southeast: Coffee, Bacon, Atkinson, Ware, Pierce, Brantley, Clinch, Charlton	7,500	12,000	17,500
Chattahoochee-Flint: Carroll, Heard, Coweta, Troup, Meriwether	9,200	15,000	20,500
McIntosh Trail: Henry, Fayette, Spalding, Newton, Butts, Pike, Lamar, Upson	11,300	15,000	20,500
Southwest: Terrell, Lee, Calhoun, Dougherty, Worth, Early, Baker, Mitchell, Colquitt, Miller, Seminole, Decatur, Grady, Thomas	7,600	12,500	18,000
North: Whitfield, Murray, Fannin, Gilmer, Pickens, Cherokee	10,300	15,000	20,500
Heart of Georgia: Laurens, Trouten, Bleckley, Pulaski, Dodge, Wilcox, Wheeler, Telfair, Montgomery	7,200	11,500	17,000
Georgia Mountains: Towns, Rabun, Union, Lumpkin, White, Habersham, Dawson, Forsyth, Hall, Banks, Franklin, Hart, Stephens	9,000	14,500	20,000

Maximum adjusted incomes for rural housing programs in Idaho

District I: Boundary, Benewah, Kootenai, Shoshone, Bonner	10,400	17,000	22,500
District II: Idaho, Lewis, Clearwater, Nez Perce, Latah	11,200	18,000	23,500
District III: Canyon, Boise, Gem, Valley, Owyhee, Ada, Elmore, Payett, Adams, Washington	10,900	17,500	23,000
District IV: Cassia, Camas, Gooding, Blaine, Jerome, Minidoka, Lincoln, Twin Falls	9,300	15,000	20,500
District V: Bingham, Owyhee, Bear Lake, Bannock, Power, Franklin, Caribou	10,400	17,000	22,500
District VI: Butte, Custer, Bonneville, Clark, Fremont, Madison, Teton, Jefferson, Lemhi	10,100	16,500	22,000

Maximum adjusted incomes for rural housing programs in Illinois

District I: Jo Davies, Stephenson, Ogle, Bureau, Stark, Marshall, Putnam	11,400	18,000	23,500
Northwest: Carroll, Lee, Whiteside	11,700	18,000	23,500
District II: De Kalb, La Salle, Kendall, Grundy, Kankakee, Iroquois	12,100	18,000	23,500
Rock Valley M: Winnebago, Boone	13,700	18,000	23,500
Northeastern: Cook, Du Page, Kane, McHenry, Will, Lake	14,800	18,000	23,500
District III (Part): Knox, Livingston, McLean	12,000	18,000	23,500
Bi-State Metro: Mercer, Henry, Rock Island	13,200	18,000	23,500
District IV (Part): Macon, Sangamon, Cass, Morgan, Scott	11,900	18,000	23,500
Western: Fulton, Hancock, Henderson, McDonough, Warren	10,500	17,000	22,500

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moderate income
District V: Ford, Mason, Menard, Logan, De Witt, Platt, Champaign, Vermilion, Shelby, Moultrie, Douglas, Coles, Edgar	11,000	18,000	23,500
Tri-County: Peoria, Woodford, Tazewell	14,000	18,000	23,500
District VI (Part): Clark, Cumberland	9,300	15,000	20,500
Two River: Adams, Schuyler, Brown, Pike	9,700	16,000	21,500
West Central V: Calhoun, Greene, Jersey, Macoupin, Montgomery, Christian	10,000	16,000	21,500
Southwestern Me: Madison, Bond, St. Clair, Monroe, Clinton, Washington, Randolph	12,400	18,000	23,500
South Central: Effingham, Fayette, Marion	9,500	15,500	21,000
Greater Egypt: Jefferson, Franklin, Perry, Jackson, Williamson	8,200	13,500	19,000
Southern Five: Union, Johnson, Alexander, Pulaski, Massac	8,000	13,500	19,000
Embaras: Jasper, Crawford, Clay, Lawrence, Richland	9,400	15,500	21,000
Greater Wabash: Wayne, Edwards, Wabash, White	8,000	13,500	20,000
Southeastern: Hamilton, Saline, Gallatin, Pope, Hardin	9,000	14,500	19,000

Maximum adjusted incomes for rural housing programs in Indiana

District 1A: Lake, Porter	14,200	18,000	23,500
District 1B: Newton, Jasper, Starke, Pulaski	10,000	16,000	21,500
District 2: La Porte, St. Joseph, Elkhart, Marshall, Kosciusko	12,100	16,000	23,500
District 3A: Whitley, Noble, Lagrange, Huntington, Steuben	11,300	16,000	23,500
District 3B: De Kalb, Allen, Wells, Adams	12,800	18,000	23,500
District 4: Benton, White, Warren, Fountain, Tippecanoe, Carroll, Montgomery, Clinton	11,100	18,000	23,500
District 5: Fulton, Cass, Miami, Wabash, Howard, Tipton	11,500	18,000	23,500
District 6: Grant, Blackford, Jay, Madison, Delaware, Randolph, Henry	11,000	18,000	23,500
District 7: Putnam, Parke, Vigo, Vermillion, Clay, Sullivan	10,200	16,500	22,000
District 8: Boone, Hamilton, Hendricks, Marion, Hancock, Morgan, Johnson, Shelby	12,900	18,000	23,500
District 9: Wayne, Rush, Fayette, Union, Franklin	10,700	17,500	23,000
District 10: Owen, Monroe	10,700	17,500	23,000
District 11: Brown, Bartholomew, Decatur, Jackson, Jennings	11,100	18,000	23,500
District 12: Ripley, Dearborn, Ohio, Jefferson, Switzerland	10,800	17,500	23,000
District 13A: Greene, Lawrence, Martin, Daviess, Knox	10,000	16,000	21,500
District 13B: Gibson, Pike, Vanderburgh, Posey, Warrick	10,700	17,500	23,000
District 14: Washington, Scott, Clark, Harrison, Floyd	10,700	17,500	23,000
District 15: Orange, Dubois, Crawford, Spencer, Parry	9,700	16,000	21,500

Maximum adjusted incomes for rural housing programs in Iowa

District 1: Allamakee, Clayton, Fayette, Howard, Winnebago	9,300	15,000	20,500
District 2: Cerro Gordo, Floyd, Franklin, Hancock, Kossuth, Mitchell, Winnebago, Worth	10,100	16,500	22,000
District 3: Buena Vista, Clay, Dickinson, Emmet, Lyon, O'Brien, Osceola, Palo Alto, Sioux	8,800	16,000	21,500
District 4: Cherokee, Ida, Monona, Plymouth, Woodbury	10,800	17,500	23,000
District 5: Calhoun, Hamilton, Humboldt, Pocahontas, Webster, Wright	10,300	17,000	22,500
District 6: Hardin, Marshall, Poweshiek, Tama	10,600	17,000	22,500
District 7: Black Hawk, Bremer, Buchanan, Butler, Chickasaw, Grundy	10,900	18,000	23,500
District 8: Cedar, Clinton, Delaware, Dubuque, Jackson	11,600	18,000	23,500
District 9: Muscatine, Scott	13,500	18,000	23,500
District 10: Benton, Iowa, Johnson, Jones, Linn, Washington	11,500	18,000	23,500
District 11: Boone, Dallas, Jasper, Madison, Marion, Polk, Story, Warren	11,800	18,000	23,500

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low-50% median	Low income	Moderate income
District 12: Audubon, Carroll, Crawford, Greene, Guthrie, Sac.	9,800	16,000	21,500
District 13: Cass, Fremont, Harrison, Mills, Montgomery, Page, Pottawattamie, Shelby	10,500	17,000	22,500
District 14: Adair, Adams, Clarke, Decatur, Ringgold, Taylor, Union	8,300	13,500	19,000
District 15: Appanoose, Davis, Jefferson, Keokuk, Lucas, Mahaska, Monroe, Van Buren, Wapello, Wayne	9,000	14,500	20,000
District 16: Des Moines, Henry, Lee, Louise	11,400	18,000	23,500

Maximum adjusted incomes for rural housing programs in Kansas

Northwest: Cheyenne, Rawlins, Decatur, Norton, Phillips, Smith, Sherman, Thomas, Sheridan, Graham, Rocks, Osborne, Wallace, Logan, Gove, Trego, Ellis, Russell	9,100	15,000	20,500
Gr. Southwest: Greeley, Wichita, Scott, Lane, Ness, Hamilton, Kearny, Finney, Hodgeman, Stanton, Grant, Haskell, Gray, Ford, Morton, Stevens, Seward, Meade, Clark	10,400	17,000	22,500
North Central: Jewell, Republic, Mitchell, Cloud, Lincoln, Ottawa, Ellsworth, Saline	8,700	14,000	19,500
Golden Belt: Rush, Barton, Pawnee, Stafford, Edwards	10,100	16,500	22,000
Indian Hill: Kiowa, Pratt, Comanche, Barber	10,100	16,500	22,000
Mid-State: Rice, McPherson, Reno	10,100	16,500	22,000
Chikaskia: Kingman, Harper, Sumner	9,200	15,000	20,500
Blue Stem: Greenwood, Elk, Chautauque, Cowley	8,600	14,000	19,500
Central Plain: Harvey, Sedgewick, Butler	11,300	18,000	23,500
Flint Hills: Dickinson, Morris, Marion, Chase, Lyons	9,000	14,500	20,000
Big Lake: Clay, Riley, Pottawatomie, Geary	9,200	15,000	20,500
Mo-Kan: Doniphan, Atchison	9,400	15,500	21,000
Marc: Leavenworth, Wyandotte, Johnson	12,300	18,000	23,500
Southeast: Woodson, Allen, Bourbon, Wilson, Neosho, Crawford, Montgomery, Labette, Cherokee	8,400	13,500	19,000
In process: Jefferson, Shawnee, Douglas, Osage, Franklin, Miami, Coffey, Anderson, Linn	10,500	17,000	22,500
Unorganized: Washington, Marshall, Nemaha, Brown, Jackson, Wabaunsee	8,500	14,000	19,500

Maximum adjusted incomes for rural housing programs in Kentucky

Barron River: Allen, Barren, Butler, Edmonson, Hart, Logan, Metcalfe, Monroe, Simpson, Warren	7,300	12,000	17,500
Big Sandy: Floyd, Johnson, Magoffin, Martin, Pike	5,800	11,500	17,000
Bluegrass: Anderson, Bourbon, Boyle, Clark, Estill, Fayette, Franklin, Garrard, Harrison, Jessamine, Lincoln, Madison, Mercer, Nicholas, Powell, Scott, Woodford	9,600	15,000	20,500
Buffalo Trace: Bracken, Fleming, Lewis, Mason, Robertson	7,400	12,000	17,500
Cumberland V: Bell, Clay, Harlan, Jackson, Knox, Laurel, Rockcastle, Whitley	5,400	11,500	17,000
Fincro: Boyd, Carter, Elliott, Greenup, Lawrence	7,900	13,000	18,500
Gateway: Bath, Menifee, Montgomery, Morgan, Rowan	6,700	11,500	17,000
Green River: Davies, Hancock, Henderson, McLean, Ohio, Union, Webster	9,400	15,000	20,500
Kentuckiana: Bullitt, Henry, Jefferson, Oldham, Shelby, Spencer, Trimble	10,300	15,000	20,500
Kentucky River: Breathitt, Knott, Lee, Leslie, Letcher, Owsley, Perry, Wolfe	5,000	11,500	17,000
Lake Cumberland: Adair, Casey, Clinton, Cumberland, Green, McCreary, Pulaski, Russell, Taylor, Wayne	6,200	11,500	17,000
Lincoln Trail: Breckinridge, Grayson, Hardin, Larue, Marion, Meade, Nelson, Washington	7,900	13,000	18,500
Northern: Boone, Campbell, Carroll, Gallatin, Grant, Kenton, Owen, Pendleton	10,800	15,000	20,500
Pennyrile: Caldwell, Christian, Crittenden, Hopkins, Livingston, Lyon, Muhlenberg, Todd, Trigg	8,200	13,500	19,000
Purchase: Ballard, Calloway, Carlisle, Fulton, Graves, Hickman, Marshall, McCracken	8,800	14,500	20,000

Maximum adjusted incomes for rural housing programs in Louisiana

Acadiana: Acadia, Evangeline, Iberia, Lafayette, St. Landry, St. Martin, St. Mary, Vermilion	7,600	13,000	18,500
Central Reg: Avoyelles, Catahoula, Concordia, Grant, La Salle, Rapides, Vernon, Winn	7,200	11,500	17,000

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moderate income
Florida:			
Ascension, E. Baton Rouge, E. Feliciana, Iberville, Livingston, Pointe Coupee, St. Helena, Tangipahoa, Washington, W. Baton Rouge, W. Feliciana	8,900	14,500	20,000
Northeast:			
Caldwell, E. Carroll, Franklin, Jackson, Madison, Morehouse, Ouachita, Richland, Tensas, Union, W. Carroll	6,700	11,500	17,000
Northwest:			
Bienville, Bossier, Caddo, Claiborne, De Soto, Lincoln, Natchitoches, Red River, Sabine, Webster	7,800	12,500	18,000
Imperial Cal:			
Allen, Beauregard, Calcasieu, Cameron, Jeff Davis	8,700	14,000	19,500
Teche:			
Assumption, Lafourche, St. Charles, St. James, St. John Baptist, Terrebonne	9,700	15,000	20,500
Metro-Reg:			
Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany	10,500	15,000	20,500

Maximum adjusted incomes for rural housing programs in Maine

Androscoggin	10,500	17,000	22,500
Aroostook	9,000	14,500	20,000
Cumberland	10,700	17,500	23,000
Franklin	10,300	16,500	22,000
Hancock	9,800	16,000	21,500
Kennebec	11,400	18,000	23,500
Knox	9,500	15,500	21,000
Lincoln	10,100	16,500	22,000
Oxford	10,400	17,000	22,500
Piscataquis	9,300	15,000	20,500
Sagadahoc	10,400	17,000	22,500
Somerset	9,700	15,500	21,200
Waldo	9,700	16,000	21,500
Washington	7,900	13,500	19,000
York	11,000	18,000	23,500
Penobscot	10,700	17,500	23,000

Maximum adjusted incomes for rural housing programs in Maryland

Lower Eastern S:			
Dorchester, Wicomico, Worcester, Somerset	9,400	15,000	20,500
Upper East S:			
Kent, Queen Annes, Caroline, Talbot	9,600	15,500	21,000
Wimpey:			
Cecil	13,800	18,000	23,500
Tri-City South:			
Charles, Calvert, St. Marys	12,900	18,000	23,500
Washington:			
Montgomery, Prince Georges	16,200	18,000	23,500
Baltimore-NP:			
Baltimore, Harford, Carroll, Howard, Anne Arundel	13,500	18,000	23,500
Frederick:			
Frederick	11,700	18,000	23,500
Tri-County-W:			
Garrett, Allegany, Washington	9,000	14,500	20,000

Maximum adjusted incomes for rural housing programs in Massachusetts

District 1:			
Berkshire, Franklin, Hampshire, Hampden, Worcester	12,700	18,000	23,500
District 2:			
Middlesex, Essex, Suffolk, Norfolk, Bristol, Plymouth, Barnstable, Dukes, Nantucket	12,800	18,000	23,500

Maximum adjusted incomes for rural housing programs in Michigan

Region 1:			
Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, Wayne	14,900	18,000	23,500
Region 2:			
Hillsdale, Jackson, Lenawee	12,800	18,000	23,500
Region 3:			
Barry, Branch, Calhoun, Kalamazoo, St. Joseph	12,400	18,000	23,500
Region 4:			
Berrien, Cass, Van Buren	12,200	18,000	23,500
Region 5:			
Genesee, Lapeer, Shiawassee	14,000	18,000	23,500
Region 6:			
Clinton, Eaton, Ingham	12,900	18,000	23,500
Region 7:			
Arenac, Bay, Clare, Gladwin, Gratiot, Huron, Iosco, Isabella, Midland, Ogemaw, Roscommon, Saginaw, Sanilac, Tuscola	10,900	17,500	23,000
Region 8:			
Allegan, Ionia, Kent, Lake, Mason, Mecosta, Montcalm, Newaygo, Osceola	11,600	18,000	23,500
Region 9:			
Alcona, Alpena, Cheboygan, Crawford, Montmorency, Oscoda, Otsego, Presque Isle	9,200	15,000	20,500
Region 10:			
Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Marquette, Missaukee, Wexford	9,800	16,000	21,500
Region 11:			
Chippewa, Luce, Mackinac	8,500	14,000	19,500

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Median income
Region 12: Alger, Delta, Dickinson, Marquette, Menominee, Schoolcraft	10,200	16,500	22,000
Region 13: Baraga, Gogebic, Houghton, Iron, Keweenaw, Ontonagon	8,500	14,000	19,500
Region 14: Muskegon, Oceana, Ottawa	11,800	18,000	23,500
Maximum adjusted incomes for rural housing programs in Minnesota			
RDC I: Kittson, Marshall, Norman, Pennington, Polk, Redlake, Roseau	9,100	15,000	20,500
RDC II: Beltrami, Clearwater, Hubbard, Lk of Woods, Mahanomen	7,800	13,500	19,000
RDC III: Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, St. Louis	10,400	17,000	22,500
RDC IV: Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, Wilkin	8,800	14,500	20,000
RDC V: Cass, Crow Wing, Morrison, Todd, Wadena	8,100	13,500	19,000
RDC VI-E: Kandiyohi, McLeod, Meeker, Renville	9,400	15,000	20,500
RDC VI-W: Big Stone, Chippewa, Lac qui Parle, Swift, Yellow Medicine	8,200	13,500	19,000
RDC VII-E: Chisago, Isanti, Kanabec, Mille Lacs, Pine	10,600	17,000	22,500
RDC VII-W: Benton, Sherburne, Stearns, Wright	11,600	18,000	23,500
RDC VIII: Cottonwood, Jackson, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock	9,000	14,500	20,000
RDC IX: Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, Watonwan	10,000	16,500	22,000
RDC X: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, Winona	10,700	17,500	23,000
RDC XI: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington	14,300	18,000	23,500
Maximum adjusted incomes for rural housing programs in Mississippi			
Southwest: Claiborne, Jefferson, Adams, Franklin, Wilkinson, Amite, Pike, Wallhalla, Lincoln, Lawrence	6,200	11,500	17,000
Central: Yazoo, Madison, Warren, Hinds, Copiah, Rankin, Simpson	7,900	13,000	18,500
North Central: Yalobusha, Grenada, Leflore, Carroll, Montgomery, Holmes, Attala	5,800	11,500	17,000
South Delta: Bolivar, Humphreys, Sharkey, Issaquena, Washington, Sunflower	5,300	11,500	17,000
North Delta: Coahoma, De Soto, Quitman, Panola, Tallahatchie, Tate, Tunica	6,300	11,500	17,000
North East: Alcorn, Benton, Marshall, Prentiss, Tippah, Tishomingo	7,000	11,500	17,000
Three River: Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Pontotoc, Monroe, Union	7,300	12,000	17,500
Golden Tri: Clay, Lowndes, Choctaw, Oktibbeha, Noxubee, Webster, Winston	7,100	11,500	17,000
East Central: Clarke, Jasper, Leake, Kemper, Lauderdale, Newton, Neshoba, Smith, Scott	6,500	11,500	17,000
Southern: Covington, Jones, Wayne, Jeff Davis, Marion, Lamar, Forrest, Perry, Greene, George, Stone, Pearl River, Jackson, Harrison, Hancock	8,100	13,000	18,500
Maximum adjusted incomes for rural housing programs in Missouri			
Lake of Ozarks: Camden, Laclede, Miller, Morgan, Pulaski	7,300	13,500	19,000
Mark Twain: Lewis, Macon, Marion, Monroe, Pike, Ralls, Randolph, Shelby	8,700	14,000	19,500
Ozark Foothills: Butler, Carter, Reynolds, Ripley, Wayne	6,200	13,500	19,000
Ozark Gateway: Barton, Jasper, McDonald, Newton	7,700	13,500	19,000
Show-Me: Johnson, Lafayette, Pettis	9,100	15,000	20,500
So. Cent. Ozark: Douglas, Howell, Oregon, Ozark, Shannon, Texas, Wright	5,800	13,500	19,000
Southeast: Bolingar, Cape Girardeau, Iron, Madison, Perry, St Francois, Ste Genevieve	8,300	13,500	19,000
Southwest: Barry, Christian, Dade, Dallas, Greene, Lawrence, Polk, Stone, Taney, Webster	7,700	13,500	19,000
Kaysinger B: Bates, Benton, Cedar, Henry, Hickory, St Clair, Vernon	7,000	13,500	19,000
Green Hills: Caldwell, Daviess, Grundy, Harrison, Linn, Livingston, Mercer, Putnam, Sullivan	7,300	13,500	19,000
Bootheel: Dunklin, Mississippi, New Madrid, Pemiscot, Scott, Stoddard	6,900	13,500	19,000
Northwest: Atchison, Gentry, Holt, Nodaway, Worth	7,900	13,500	19,000

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moderate income
Northeast:			
Adair, Clark, Knox, Schuyler, Scotland	7,500	13,500	19,000
Mo-Kan:			
Andrew, Buchanan, Clinton, De Kalb	9,400	15,500	21,000
Valley-Region:			
Carroll, Charlton, Saline	8,400	13,500	19,000
Mid-Missouri:			
Audrain, Boone, Callaway, Cole, Cooper, Howard, Moniteau, Osage	10,100	16,500	22,000
Meramec:			
Crawford, Dent, Gasconade, Maries, Phelps, Washington	7,800	13,500	19,000
E-W Gateway:			
St Louis City, Jefferson, St Charles, St Louis, Franklin	13,000	18,000	23,500
Mid-America:			
Cass, Clay, Jackson, Platte, Ray	13,000	18,000	23,500
Boonslick:			
Montgomery, Lincoln, Warren	9,000	14,500	20,000
Maximum adjusted incomes for rural housing programs in Montana			
District 1:			
Daniels, Phillips, Roosevelt, Sheridan, Valley	10,200	16,500	22,000
District 2:			
Dawson, Garfield, McCone, Prairie, Richland, Wibaux	10,400	17,000	22,500
District 3:			
Carter, Custer, Fallon, Powder River, Rosebud, Treasure	9,800	15,500	21,000
District 4:			
Blaine, Hill, Liberty	10,200	16,500	22,000
District 5:			
Cascade, Chouteau, Glacier, Pondera, Teton, Toole	10,000	16,000	21,500
District 6:			
Fergus, Golden Valley, Judith Basin, Petroleum, Wheatland, Musselshell	9,500	15,500	21,000
District 7:			
Big Horn, Carbon, Stillwater, Sweet Grass, Yellowstone	9,700	16,000	21,500
District 8:			
Brookwater, Jefferson, Lewis & Clark	11,400	18,000	23,500
District 9:			
Gallatin, Meagher, Park	10,000	16,000	21,500
District 10:			
Flathead, Lake, Lincoln, Sanders	10,700	17,500	23,000
District 11:			
Mineral, Missoula, Ravalli	10,700	17,500	23,000
District 12:			
Beaverhead, Deer Lodge, Granite, Madison, Powell, Silver Bow	10,400	17,000	22,500
Maximum adjusted incomes for rural housing programs in Nebraska			
Scottsbluff:			
Sioux, Dawes, Sheridan, Box Butte, Scotts Bluff, Morrill, Garden, Banner, Cheyenne, Deuel, Kimball	9,700	16,000	21,500
Ainsworth:			
Cherry, Keya Paha, Boyd, Brown, Rock, Holt, Blaine, Loup, Garfield, Wheeler, Custer, Valley, Greeley, Sherman	7,700	13,500	19,000
North Platte:			
Grant, Hooker, Thomas, Arthur, McPherson, Logan, Keith, Lincoln, Perkins, Chase, Hayes, Frontier, Gosper, Dundy, Hitchcock, Red Willow, Dawson	9,400	15,500	21,000
Kearney:			
Howard, Merrick, Buffalo, Hall, Hamilton, Phelps, Kearney, Adams, Clay, Furnas, Harlan, Franklin, Webster, Nuckolls	9,400	15,500	21,000
Norfolk:			
Knox, Cedar, Dixon, Dakota, Thurston, Cuming, Burt, Antelope, Pierce, Wayne, Boone, Madison, Platte, Colfax, Nance, Stanton	9,100	15,000	20,500
Omaha:			
Dodge, Washington, Douglas, Sanders, Sarpy, Cass, Otoe	11,100	18,000	23,500
Lincoln:			
Butler, Polk, York, Seward, Fillmore, Lancaster, Saline, Thayer, Jefferson, Gage, Johnson, Pawnee, Richardson, Nemaha	9,700	15,500	21,000
Maximum adjusted incomes for rural housing programs in Nevada			
District 6:			
Humboldt, Pershing, Lander, Elko, Eureka, White Pine, Nye	10,600	17,500	23,000
District 7:			
Washoe, Storey, Carson City, Douglas, Lyon, Churchill, Mineral, Esmeralda, Clark, Lincoln	12,500	18,000	23,500
Maximum adjusted incomes for rural housing programs in New Hampshire			
District III VE:			
Coos, Carroll, Grafton, Belknap, Sullivan	10,700	17,500	23,000
District IV VER:			
Cheshire, Hillsboro, Merrimack, Rockingham, Strafford	12,200	18,000	23,500
Maximum adjusted incomes for rural housing programs in New Jersey			
District I:			
Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Morris, Passaic, Somerset, Sussex, Union, Warren	14,900	18,000	23,500
District II:			
Atlantic, Burlington, Cape May, Monmouth, Ocean	13,300	18,000	23,500

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moderate income
District III: Camden, Cumberland, Gloucester, Salem	13,900	18,000	23,500
Maximum adjusted incomes for rural housing programs in New Mexico			
San Juan: San Juan, McKinley	9,500	15,500	21,000
North Central: Coffey, Mora, Rio Arriba, San Miguel, Santa Fe, Taos	7,400	13,500	19,000
Mid Rio Grande: Bernalillo, Los Alamos, Sandoval, Torrance, Valencia	11,900	18,000	23,500
Eastern PLS: Curry, De Baca, Guadalupe, Harding, Quay, Roosevelt, Union	8,000	13,500	19,000
South West: Catron, Grant, Hidalgo, Luna	8,900	14,500	20,000
Southeastern: Chaves, Eddy, Lea, Lincoln, Otero	9,600	15,500	21,000
South Rio Grand: Dona Ana, Sierra, Socorro	7,800	13,500	19,000
Maximum adjusted incomes for rural housing programs in New York			
District 1: Allegany, Cattaraugus, Chautauque, Erie, Niagara	12,200	18,000	23,500
District 2: Genesee, Livingston, Monroe, Ontario, Orleans, Seneca, Wayne, Yates	14,200	18,000	23,500
District 3: Broome, Chemung, Chenango, Delaware, Otsego, Schuyler, Steuben, Tioga, Tompkins	11,200	18,000	23,500
District 4: Cayuga, Cortland, Madison, Oneida, Onondaga, Oswego, Herkimer	12,600	18,000	23,500
District 5: Franklin, Jefferson, Lewis, St Lawrence	10,700	17,500	23,000
District 6: Clinton, Essex, Hamilton, Warren, Washington	12,100	18,000	23,500
District 7: Albany, Columbia, Fulton, Greene, Montgomery, Rensselaer, Saratoga, Schoenectady, Schenectady, Schoharie	11,400	18,000	23,500
District 8: Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, Ulster, Westchester	14,600	18,000	23,500
Maximum adjusted incomes for rural housing programs in North Carolina			
District A: Macon, Swain, Clay, Cherokee, Graham, Jackson, Haywood	7,800	12,500	18,000
District B: Buncombe, Transylvania, Henderson, Madison	9,500	15,000	20,500
District C: McDowell, Polk, Rutherford, Cleveland	9,400	15,000	20,500
District D: Yancey, Ashe, Alleghany, Avery, Mitchell, Watauga, Wilkes	7,400	12,000	17,500
District E: Alexander, Caldwell, Burke, Catawba	10,400	15,000	20,500
District F: Stanly, Mecklenburg, Cabarrus, Gaston, Lincoln, Union, Rowan, Iredell	11,400	15,000	20,500
District G: Alamance, Guilford, Randolph, Davidson, Rockingham, Caswell	11,100	15,000	20,500
District H: Moore, Richmond, Montgomery, Anson	8,300	13,500	19,000
District I: Stokes, Surry, Forsyth, Davie, Yadkin	10,700	15,000	20,500
District J: Durham, Orange, Chatham, Wake, Lee, Johnston	10,300	15,000	20,500
District K: Vance, Franklin, Granville, Person, Warren	8,100	13,500	19,000
District L: Halifax, Northampton, Nash, Edgecombe, Wilson	7,800	13,000	18,500
District M: Sampson, Cumberland, Harnett	8,400	13,500	19,000
District N: Bladen, Scotland, Robeson, Hoke	7,600	12,500	18,000
District O: Brunswick, Pender, New Hanover, Columbus	9,100	15,000	20,500
District P: Carteret, Wayne, Onslow, Duplin, Lenoir, Craven, Pamlico, Greene, Jones	8,100	13,500	19,000
District Q: Pitt, Beaufort, Martin, Bertie, Hertford	7,500	12,000	17,500
District R: Tyrrell, Camden, Currituck, Pasquotank, Chowan, Gates, Perquimans, Washington, Hyde, Dare	8,200	13,500	19,000
Maximum adjusted incomes for rural housing programs in North Dakota			
District 1: Divide, McKenzie, Williams	10,200	16,500	22,000
District 2: Burke, Mountrail, Renville, Bottineau, Ward, McHenry, Pierce	9,600	15,500	21,000
District 3: Rolette, Towner, Cavalier, Benson, Ramsey, Eddy	8,700	14,000	19,500

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moderate income
District 4: Pembina, Walsh, Nelson, Grand Forks	9,700	15,500	21,000
District 5: Steele, Traill, Cass, Ransom, Sargent, Richland	9,600	15,500	21,000
District 6: Wells, Foster, Griggs, Stutsman, Barnes, Logan, La Moure, McIntosh, Dickey	9,200	15,000	20,500
District 7: McLean, Sheridan, Mercer, Oliver, Burleigh, Morton, Grant, Emmons, Sioux, Kidder	9,200	15,000	20,500
District 8: Adams, Billings, Golden Valley, Bowman, Slope, Dunn, Hettinger, Stark	9,100	15,000	20,500
Maximum adjusted incomes for rural housing programs in Ohio			
District 1: Williams, Fulton, Lucas, Ottawa, Sandusky, Seneca, Hancock, Wyandot, Hardin, Putnam, Henry, Defiance, Paulding, Van Wert, Allen, Auglaize, Mercer, Shelby, Darke, Miami, Wood	11,900	18,000	23,500
District 11: Proble, Montgomery, Greene, Fayette, Butler, Warren, Clinton, Hamilton, Clermont, Brown, Highland, Pike, Adams, Scioto	11,700	18,000	23,500
District III: Ashtabula, Lake, Geauga, Cuyahoga, Lorain, Erie, Huron, Medina, Summit, Portage, Trumbull, Mahoning, Columbiana, Carroll, Jefferson, Stark, Wayne, Holmes, Ashland, Richland, Crawford	12,600	18,000	23,500
District 4: Tuscarawas, Harrison, Guernsey, Belmont, Muskingum, Noble, Monroe, Morgan, Washington, Athens, Vinton, Jackson, Meigs, Gallia, Lawrence	9,400	15,000	20,500
District 5: Logan, Union, Marion, Morrow, Knox, Cushing, Licking, Delaware, Champaign, Clark, Madison, Franklin, Pickaway, Fairfield, Perry, Hocking, Ross	11,000	16,000	23,500
Maximum adjusted incomes for rural housing programs in Oklahoma			
KEDDO: Pittsburg, Haskell, Le Flore, Latimer, Pushmataha, Choctaw, McCurtain	7,000	11,500	17,000
SODA: Garvin, Pontotoc, Coal, Carter, Murray, Johnston, Atoka, Love, Marshall, Bryan	7,500	12,000	17,500
OEDA: Cimarron, Texas, Beaver, Harper, Ellis, Woods, Woodward, Dewey	9,300	15,000	20,500
NODA: Alfalfa, Grant, Kay, Major, Garfield, Noble, Blaine, Kingfisher	9,200	15,000	20,500
AGOC: Canadian, Logan, Oklahoma, Cleveland	11,400	15,000	20,500
ASCOG: Caddo, Grady, McClain, Comanche, Stephens, Tillman, Cotton, Jefferson	8,600	14,000	19,500
EODD: Okmulgee, McIntosh, Wagoner, Muskogee, Cherokee, Adair, Sequoyah	7,800	12,500	18,000
COEDD: Pawnee, Payne, Lincoln, Pottawatomie, Seminole, Okfuskee, Hughes	8,300	13,500	19,000
SWODA: Roger Mills, Custer, Beckham, Washita, Harmon, Greer, Kiowa, Jackson	7,900	13,000	18,500
INCOG: Creek, Tulsa, Osage	10,900	15,000	20,500
NECO: Washington, Nowata, Craig, Ottawa, Rogers, Mayes, Delaware	9,400	15,000	20,500
Maximum adjusted incomes for rural housing programs in Oregon			
District 1: Clatsop, Tillamook	11,400	18,000	23,500
District 2: Clackamas, Columbia, Multnomah, Washington	13,300	18,000	23,500
District 3: Marion, Polk, Yamhill	11,300	18,000	23,500
District 4: Benton, Lincoln, Linn	11,300	18,000	23,500
District 5: Lane	12,100	18,000	23,500
District 6: Douglas	11,100	18,000	23,500
District 7: Coos, Curry	11,500	18,000	23,500
District 8: Jackson, Josephine	10,100	16,500	22,000
District 9: Hood River, Sherman, Wasco	12,300	18,000	23,500
District 10: Crook, Deschutes, Jefferson	11,300	18,000	23,500
District 11: Klamath, Lake	11,000	18,000	23,500
District 12: Gilliam, Grant, Morrow, Umatilla, Wheeler	10,800	17,500	23,000
District 13: Baker, Union, Wallowa	10,400	17,000	22,500
District 14: Harney, Malheur	10,600	17,000	22,500

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moderate income
Maximum adjusted incomes for rural housing programs in Pennsylvania			
Northwestern: Clarion, Crawford, Erie, Forest, Lawrence, Mercer, Venango, Warren	11,400	18,000	23,500
Southwestern: Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Indiana, Washington, Westmoreland	11,800	18,000	23,500
North Central: Cameron, Clearfield, Elk, Jefferson, McKean, Potter	10,000	16,000	21,500
South Alleghenies: Bedford, Blair, Cambria, Fulton, Huntingdon, Somerset	10,900	17,500	23,000
Sed-Cog: Centre, Clinton, Columbia, Juniata, Lycoming, Mifflin, Northumberland, Montour, Snyder, Union	10,600	17,000	22,500
Northern tier: Bradford, Sullivan, Susquehanna, Tioga, Wyoming	10,500	17,000	22,500
Northeastern: Carbon, Lackawanna, Luzerne, Monroe, Pike, Schuylkill, Wayne	10,700	17,500	23,000
Del Valley: Bucks, Berks, Chester, Delaware, Lehigh, Montgomery, Northampton, Philadelphia	13,200	18,000	23,500
Capital Reg: Adams, Cumberland, Dauphin, Franklin, Lancaster, Lebanon, Perry, York	13,100	18,000	23,500
Maximum adjusted incomes for rural housing programs in Rhode Island			
Entire State: Bristol, Kent, Newport, Providence, Washington	11,800	18,000	23,500
Maximum adjusted incomes for rural housing programs in South Carolina			
Appalachian: Anderson, Cherokee, Greenville, Oconee, Pickens, Spartanburg	10,900	15,000	20,500
Ber-Cha-Dor: Berkley, Charleston, Dorchester	9,700	15,000	20,500
Low Country: Beaufort, Colleton, Hampton, Jasper	7,900	13,000	18,500
Lower Savannah: Aiken, Allendale, Bamberg, Barnwell, Calhoun, Orangeburg	8,500	14,000	19,500
Waccamaw: Georgetown, Horry, Williamsburg	7,400	12,000	17,500
Pee Dee: Chesterfield, Darlington, Dillon, Florence, Marion, Marlboro	8,500	14,000	19,500
Santee Wateree: Clarendon, Kershaw, Lee, Sumter	7,800	12,500	18,000
Central Midland: Fairfield, Lexington, Richland, Newberry	9,500	15,000	20,500
Catawba: Chester, Lancaster, Union, York	10,100	15,000	20,500
Upper Savannah: Abbeville, Edgefield, Greenwood, Laurens, McCormick, Saluda	9,400	15,000	20,500
Maximum adjusted incomes for rural housing programs in South Dakota			
District 1: Grant, Clark, Codington, Deuel, Hamlin, Kingsbury, Brookings, Miner, Lake, Moody	8,500	14,000	19,500
District 2: McCook, Minnehaha, Turner, Lincoln, Clay, Union	9,300	15,000	20,500
District 3: Jerauld, Sanborn, Brule, Aurora, Davison, Hanson, Gregory, Charles Mix, Douglas, Hutchinson, Bon Homme, Yankton	8,200	13,500	19,000
District 4: Hand, Faulk, Edmunds, McPherson, Brown, Spink, Beadle, Marshall, Day, Roberts	8,500	14,000	19,500
District 5: Perkins, Corson, Campbell, Ziebach, Dewey, Walworth, Haakon, Stanley, Potter, Sully, Hyde, Hughes, Jones, Lyman, Buffalo, Mellette, Todd, Tripp	8,900	14,500	20,000
District 6: Harding, Butte, Meade, Lawrence, Pennington, Jackson, Custer, Shannon, Washabaugh, Fall River, Bennett	9,400	15,000	20,500
Maximum adjusted incomes for rural housing programs in Tennessee			
First Tennessee: Carter, Greene, Hancock, Hawkins, Johnson, Sullivan, Washington, Unicoi	8,300	13,500	19,000
East: Anderson, Campbell, Claiborne, Cocke, Hamblen, Grainger, Union, Jefferson, Blount, Knox, Sevier, Loudon, Monroe, Morgan, Roane, Scott	8,400	13,500	19,000
Southeast: Bradley, Polk, Grundy, McMinn, Meigs, Marion, Rhea, Hamilton, Sequatchie, Bledsoe	8,900	14,500	20,000
Upper Cumberland: Cannon, Cumberland, De Kalb, Van Buren, Warren, White, Clay, Fentress, Jackson, Macon, Overton, Pickett, Putnam, Smith	6,900	11,500	17,000
Mid-Cumberland: Cheatham, Montgomery, Robertson, Davidson, Stewart, Houston, Sumner, Dickson, Humphreys, Rutherford, Trousdale, Williamson, Wilson	10,900	15,000	20,500
South Central: Bedford, Coffee, Franklin, Moore, Lincoln, Marshall, Giles, Hickman, Lewis, Lawrence, Maury, Wayne, Perry	7,900	13,000	18,500
Northwest: Benton, Carroll, Crockett, Dyer, Gibson, Henry, Obion, Lake, Weakley	8,100	13,000	18,500

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moderate income
Southwest:			
Chester, Decatur, Hardeman, Hardin, Haywood, Henderson, McNairy, Madison	7,200	12,000	17,500
Memphis-Delta:			
Fayette, Lauderdale, Shelby, Tipton	8,800	14,500	20,000
Maximum adjusted incomes for rural housing programs in Texas			
Panhandle:			
Dallam, Sherman, Hansford, Ochiltree, Lipscomb, Hartley, Moore, Hutchison, Roberts, Hemphill, Oldham, Potter, Carson, Gray, Wheeler, Deaf Smith, Randall, Armstrong, Donley, Collingsworth, Parmer, Castro, Swisher, Briscoe, Hall	10,000	15,000	20,500
South Plains:			
Bailey, Lamb, Hale, Floyd, Motley, Cochran, Hockley, Lubbock, Crosby, Dickens, King, Yoakum, Terry, Lynn, Garza	9,000	14,500	20,000
Nortex:			
Childress, Hardeman, Cottle, Foard, Wilbarger, Baylor, Wichita, Archer, Young, Clay, Jack, Montague	8,700	14,000	19,500
North Central:			
Wise, Denton, Collin, Hunt, Palo Pinto, Parker, Tarrant, Dallas, Rockwall, Erata, Hood, Johnson, Ellis, Somervell, Naylor, Kaufman	11,500	15,000	20,500
Texoma:			
Cooke, Grayson, Fannin	9,400	15,000	20,500
Ark-Tex:			
Lamar, Red River, Bowie, Delta, Hopkins, Franklin, Titus, Morris, Cass	8,200	13,500	19,000
West Texas:			
El Paso, Hudspeth, Culberson, Jeff Davis, Presidio, Brewster	8,500	14,000	19,500
Permian:			
Gaines, Dawson, Borden, Andrews, Martin, Howard, Loving, Winkler, Ector, Midland, Glasscock, Reeves, Ward, Crane, Upton, Pecos, Terrell	10,400	15,000	20,500
West Central:			
Knox, Kent, Stonewall, Haskell, Throckmorton, Scurry, Fisher, Jones, Shackelford, Stephens, Mitchell, Nolan, Taylor, Callahan, Eastland, Runnels, Coleman, Brown, Comanche	8,100	13,000	18,500
Concho Valley:			
Sterling, Coke, Reagan, Irion, Tom Green, Concho, Crockett, Schleicher, Menard, McCulloch, Mason, Sutton, Kimble	8,200	13,500	19,000
Mid Rio Grande:			
Valverde, Edwards, Real, Kinney, Uvalde, Maverick, Zavala, Dimmit, La Salle	6,100	11,500	17,000
Central Texas:			
Mills, Hamilton, San Saba, Lampasas, Coryell, Bell, Milam	7,600	12,500	18,000
Heart of Texas:			
Bosque, Hill, McLennan, Limestone, Freestone, Falls	7,500	12,000	17,500
East Texas:			
Rains, Wood, Camp, Upshur, Marion, Vanzandt, Smith, Gregg, Harrison, Henderson, Rusk, Panola, Anderson, Cherokee	8,200	13,500	19,000
Alamo:			
Gillespie, Kerr, Kendall, Bandera, Comal, Bexar, Medina, Guadalupe, Frio, Atascosa, Karnes	9,000	14,500	20,000
Capital area:			
Llano, Burnet, Williamson, Blanco, Travis, Lee, Bastrop, Hayes, Caldwell, Fayette	9,300	15,000	20,500
Brazos:			
Leon, Robertson, Brazos, Madison, Burleson, Grimes, Washington	7,000	11,500	17,000
Deep East Texas:			
Shelby, Nacogdoches, Houston, Trinity, Polk, San Jacinto, Tyler, Jasper, Newton, San Augustine, Sabine, Angelina	6,900	11,500	17,000
Southeast Texas:			
Hardin, Orange, Jefferson	11,700	15,000	20,500
Lower Rio Grande:			
Hidalgo, Willacy, Cameron	6,600	11,500	17,000
South Texas:			
Webb, Zapata, Jim Hogg, Starr	4,700	11,500	17,000
Coastal Bend:			
McMullen, Live Oak, Bee, Refugio, Duval, Jim Wells, Nueces, San Patricio, Aransas, Kleberg, Brooks, Kenedy	8,700	14,000	19,500
Golden Crescent:			
Gonzales, Lavaca, De Witt, Jackson, Victoria, Goliad, Calhoun	8,100	13,000	18,500
Houston Galveston:			
Walker, Montgomery, Austin, Waller, Harris, Liberty, Colorado, Ft. Bend, Chambers, Matagorda, Brazoria, Galveston, Wharton	11,700	15,000	20,500
Maximum adjusted incomes for rural housing programs in Utah			
District I:			
Box Elder, Cache, Rich	10,800	17,500	23,000
District II:			
Tooele, Weber, Davis, Morgan, Salt Lake	12,600	18,000	23,500
District III:			
Utah, Wasatch, Summit	10,300	16,500	22,000
District IV:			
Juab, Millard, Sanpete, Sevier, Piute, Wayne	8,800	14,500	20,000
District V:			
Beaver, Iron, Washington, Garfield, Kane	8,400	13,500	19,000
District VI:			
Duchesne, Uintah, Daggett	10,000	16,000	21,500
District VII:			
Carbon, Emery, Grand, San Juan	9,700	16,000	21,500

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moderate income
Maximum adjusted incomes for rural housing programs in Vermont			
District I: Caledonia, Essex, Orleans, Chittenden, Franklin, Grand Isle, Lamoille, Washington, Orange	10,500	17,000	22,500
District II: Addison, Bennington, Rutland, Windham, Windsor	10,000	17,500	23,000
Maximum adjusted incomes for rural housing programs in Virginia			
District 1: Lee, Wise, Scott	7,100	11,500	17,000
District 2: Dickenson, Russell, Buchanan, Tazewell	7,600	12,500	18,000
District 3: Washington, Smyth, Bland, Wythe, Grayson, Carroll	8,300	13,500	19,000
District 4: Giles, Pulaski, Montgomery, Floyd	10,300	15,000	20,500
District 5: Craig, Alleghany, Botetourt, Roanoke	11,000	15,000	20,500
District 6: Bath, Rockbridge, Highland, Augusta, Rockingham	9,800	15,000	20,500
District 7: Shenandoah, Page, Warren, Frederick, Clarke	9,300	15,000	20,500
District 8: Loudoun, Prince William, Fairfax, Arlington	16,200	15,000	20,500
District 9: Culpeper, Madison, Orange, Rappahannock, Fauquier	9,000	14,500	20,000
District 10: Albemarle, Fluvanna, Greene, Louisa, Nelson	9,700	15,000	20,500
District 11: Amherst, Appomattox, Bedford, Campbell	10,600	15,000	20,500
District 12: Franklin, Henry, Patrick, Pittsylvania	9,900	15,000	20,500
District 13: Brunswick, Halifax, Mecklenburg	7,800	13,000	18,500
District 14: Amelia, Buckingham, Charlotte, Cumberland, Lunenburg, Nottoway, Prince Edward	7,700	12,500	18,000
District 15: Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan	12,700	15,000	20,500
District 16: Caroline, King George, Spotsylvania, Stafford	10,200	15,000	20,500
District 17: Lancaster, Northumberland, Richmond, Westmoreland	7,500	12,000	17,500
District 18: Essex, Gloucester, King and Queen, King William, Mathews, Middlesex	9,500	15,000	20,500
District 19: Dinwiddie, Greenville, Prince George, Surry, Sussex	10,100	15,000	20,500
District 20: City of Suffolk City, Isle of Wight, Southampton, Virginia Beach	10,200	15,000	20,500
District 21: James City, York	11,500	15,000	20,500
District 22: Accomack, Northampton	6,500	11,500	17,000
Maximum adjusted incomes for rural housing programs in Washington			
District I: King, Kitsap, Pierce, Snohomish	14,900	18,000	23,500
District II: Clallam, Island, Jefferson, San Juan, Skagit, Whatcom	12,300	18,000	23,500
District III: Clark, Cowlitz, Grays Harbor, Klickitat, Lewis, Mason, Pacific, Skamania, Thurston, Wahkiakum	12,300	18,000	23,500
District IV: Chelan, Douglas, Kittitas, Okanogan, Yakima	10,700	17,500	23,000
District V: Adams, Asotin, Benton, Columbia, Ferry, Franklin, Garfield, Grant, Lincoln, Pend Oreille, Spokane, Stevens, Walla Walla, Whitman	11,500	18,000	23,500
Maximum adjusted incomes for rural housing programs in West Virginia			
Region I: McDowell, Mercer, Monroe, Raleigh, Summers, Wyoming	8,000	13,000	18,500
Region II: Cabell, Lincoln, Logan, Mason, Mingo, Wayne	8,400	13,500	19,000
Region III: Boone, Clay, Kanawha, Putnam	9,700	15,000	20,500
Region IV: Fayette, Greenbrier, Nicholas, Pocahontas, Webster	7,200	12,000	17,500
Region V: Cathoun, Jackson, Pleasants, Richie, Roane, Tyler, Wirt, Wood	9,200	15,000	20,500
Region VI: Doddridge, Harrison, Marion, Monongalia, Preston, Taylor	8,300	13,500	19,000
Region VII: Barbour, Braxton, Gilmer, Lewis, Randolph, Tucker, Upshur	6,400	11,500	17,000
Region VIII: Grant, Hampshire, Hardy, Mineral, Pendleton	7,900	13,000	18,500

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moderate income
Region IX: Berkeley, Jefferson, Morgan			
Region X: Marshall, Ohio, Wetzel	9,500	15,000	20,500
Region XI: Brooke, Hancock	9,400	15,000	20,500
	9,500	15,000	20,500
Maximum adjusted incomes for rural housing programs in Wisconsin			
Southwest: Grant, Iowa, Lafayette, Green, Richland, Sauk, Columbia, Dodge, Jefferson			
Dane: Dane	11,100	18,000	23,500
Rock Valley: Rock	13,600	18,000	23,500
Southeastern: Kenosha, Racine, Waukegan, Waukesha, Milwaukee, Ozaukee, Washington	12,700	18,000	23,500
Bay Lake: Sheboygan, Manitowoc, Brown, Kewaunee, Door, Oconto, Marinette, Florence	13,100	18,000	23,500
East Central: Fond du Lac, Green Lake, Marquette, Waushara, Winnebago, Calumet, Outagamie, Waupaca, Shawano, Menominee	11,100	18,000	23,500
North Central: Vilas, Forest, Oneida, Lincoln, Langlade, Marathon, Wood, Portage, Juneau, Adams	10,800	17,500	23,000
Northwestern: Douglas, Bayfield, Ashland, Iron, Burnett, Washburn, Sawyer, Price, Rusk, Taylor	10,400	17,000	22,500
West Central: Polk, Barron, St. Croix, Dunn, Chippewa, Eau Claire, Clark	8,400	13,500	19,000
Mississippi: Pierce, Pepin, Buffalo, Trempealeau, Jackson, Monroe, La Crosse, Vernon, Crawford	10,400	17,000	22,500
	9,300	15,000	20,500
Maximum adjusted incomes for rural housing programs in Wyoming			
District 1: Park, Big Horn, Sheridan, Johnson, Washakie, Hot Springs, Fremont			
District 2: Campbell, Crook, Weston, Converse, Niobrara, Albany, Natrona, Platte, Goshen, Laramie	11,200	18,000	23,500
District 3: Teton, Sublette, Lincoln, Sweetwater, Uinta, Carbon	12,400	18,000	23,500
	11,300	18,000	23,500
Maximum adjusted incomes for rural housing programs in Alaska			
Seldovia			
Palmer	14,500	23,500	29,000
Fairbanks	15,700	25,500	31,000
Juneau	12,700	20,500	26,000
	17,100	27,500	33,000
Maximum adjusted incomes for rural housing programs in Hawaii			
Honolulu			
Kauai	14,900	18,000	23,500
Mau	13,700	18,000	23,500
Hawaii	13,200	18,000	23,500
	13,400	18,000	23,500
Maximum adjusted incomes for rural housing programs in Guam			
Entire	6,100	13,500	19,000
Maximum adjusted incomes for rural housing programs in Puerto Rico			
Aguadilla: Aguada, Aguadilla, Isabela, Moca, Rincon, San Sebastian			
Arecibo: Arecibo, Barceloneta, Camuy, Florida, Gales, Hatillo, Lares, Manati, Quebradillas, Utuado	1,800	11,500	17,000
Bayamon: Bayamon, Barranquitas, Catano, Comerio, Corozal, Dorado, Naranjito, Toa Baja, Toa Alta, Vega Alta, Vega Baja	1,900	11,500	17,000
Caguas: Aibonito, Aguas Buenas, Cayey, Cidra, Gurabo, Juncos, San Lorenzo, Caguas	2,200	11,500	17,000
Guayama: Guayama, Arroyo, Maunabo, Patillas, Salinas	2,600	11,500	17,000
Humacao: Humacao, Ceiba, Las Piedras, Naguabo, Yabucoa	2,400	11,500	17,000
Mayaguez: Mayaguez, Anasco, Cabo, Hormigueros, Lajas, Las Marias, Maricao, Sabana Grande, San German	2,300	11,500	17,000
Ponce: Ponce, Adjuntas, Coamo, Guanica, Jayuya, Juana Diaz, Orocovis, Penuelas, Santa Isabel, Villalba, Yauco, Guayanilla	2,200	11,500	17,000
San Juan: San Juan, Carolina, Canovanas, Culebras, Fajardo, Guaynabo, Loiza, Luquillo, Rio Grande, Trujillo Alto, Vieques	1,800	11,500	17,000
	3,100	11,500	17,000

EXHIBIT C.—MAXIMUM ADJUSTED INCOMES FOR RURAL HOUSING PROGRAMS—Continued

Area/county	Very low 50% median	Low income	Moder- ate income
Maximum adjusted incomes for rural housing programs in Virgin Islands			
Entire area: St. Croix, St. Thomas, St. John	7,200	13,500	19,000
Maximum adjusted incomes for rural housing programs in North Marianas			
Entire area	1,700	13,500	19,000
Maximum adjusted incomes for rural housing programs in Trust Territory			
Entire: Palau, Ponape, Truk, Yap	1,200	13,500	19,000
Maximum adjusted incomes for rural housing programs in American Samoa			
Entire:	2,000	13,500	19,000

Exhibit D—Rural Housing Applicant Interview

The following items will be reviewed in detail during a personal interview between the rural housing loan applicant and County Supervisor to assure an understanding of Farmers Home Administration loan making and loan servicing authorities, and the responsibilities of the applicant/borrower. *No loan will be closed without signed evidence that this interview has been held.*

1. **Equal Credit Opportunity:** FmHA assistance and services shall not be denied to any person or applicant as a result of race, sex, national origin, color, religion, marital status, age, physical or mental handicap (applicant must possess the capacity to enter into a legal contract for services), receipt of income from public assistance, or because the applicant has, in good faith, exercised any right under the Consumer Credit Protection Act.

2. **Income:** Eligibility is limited to those applicants with low or moderate income who are creditworthy and have repayment ability for the loan requested. The planned income to be received by the applicant and all other adults who live or propose to live in the dwelling during the next 12 months must be included.

3. **Adjusted Income:** Qualification for low or moderate income is based on adjusted income. This is the total annual income less 5 percent thereof and less \$300 for each minor person who is a member of the immediate household and lives in the home. Other deductions are contained in the regulations.

4. **Eligibility:** A determination of applicant eligibility is not an assurance that a loan will be approved. Loan approval will depend on an inspection and appraisal of the dwelling the applicant wishes to purchase and the applicant's repayment ability for the amount of loan needed to purchase the dwelling.

5. **Counseling:** Credit counseling is available at the local County Office for any applicant or borrower who needs or desires such assistance. This will include assistance in budgeting and the use and management of household income.

6. **Energy Conservation:** The local county office will provide suggested ways homeowners may conserve on the use of energy in the home. They can also provide

local sources of information such as utility companies and county extension offices, which may suggest methods of conservation.

7. **Cosigner:** An applicant who does not have repayment ability may furnish a cosigner who will guarantee repayment of the loan. Such cosigner must be approved by Farmers Home Administration.

8. **Legal Fees:** The applicant must pay necessary legal fees for title examination and loan closing. Escrow Agents or Designated Attorneys will be employed for this service. In some cases the fees may be included in the loan.

9. **Interest Credit:** Interest credit is available to qualified applicants whereby the interest rate on the loan may be reduced to a minimum of 1 percent. The amount of interest credit granted depends on the borrower's income which will be reviewed at least every 2 years.

10. **Improper Interest Credit:** Interest Credit or other subsidy assistance granted improperly either as a result of false information or through error, will be repaid by the borrower.

11. **Recapture of Interest Credit:** Interest credit received by a borrower will be subject to repayment to the Government when the mortgage is released, when the loan is assumed by another person(s), when the property is sold, or when it is no longer occupied by the borrower.

12. **Monthly Payments:** Regular payments must be made on or before the due date. Payments will be applied first to unpaid interest and the balance to principal. If for any reason a payment cannot be made on time the borrower should immediately contact the local county office.

13. **Insurance:** Every borrower will be required to obtain property insurance in a minimum amount specified by FmHA. The cost must be paid by the borrower and is not included in the regular monthly payment.

14. **Taxes:** All real estate taxes must be paid by the borrower directly to the local taxing office. They are not included in the regular monthly payment. Nonpayment of taxes can result in public sale of the property by the local tax authority or foreclosure by the Farmers Home Administration.

15. **Graduation:** FmHA is a supplemental source of credit and does not replace

conventional lenders. When it appears another source of credit may be available, the borrower will be so advised and will be expected to make application for such credit and, if available, pay the FmHA loan in full.

16. **Inspection of Property:** The borrower will be responsible for making inspections necessary to protect the borrower's interest. The FmHA inspections create or imply no duty or obligation to the particular borrower but are, rather, for the dual purpose of determining that FmHA has adequate security for its loan and to enable FmHA to determine that the agency is working toward achieving the statutory goal of providing adequate housing.

17. **Compensation for Construction Defects:** For newly built dwellings the government may in some cases pay for major defects in dwelling construction which are not repaired by the builder. To be eligible, a claim must be filed at the FmHA County Office within 18 months after financial assistance is granted.

18. **Moratorium:** Borrowers may apply for a postponement of payments if due to circumstances beyond their control they are unable to continue making scheduled payments on the loan without unduly impairing their standard of living. Some of these circumstances are: Loss of job or sudden reduction of income from other sources; a loss of income or a substantial increase in expenses due to injury, illness, or death in the family.

19. **Occupancy:** Borrowers must personally occupy the dwelling. Failure to do so may result in the loan being declared due and payable in full. If for reasons beyond their control it becomes necessary to rent the dwelling temporarily, permission may be granted by the County Supervisor.

20. **Home improvements or additions:** If a borrower's home is enlarged or improved so that it exceeds modest standards for size, design and cost, the borrower may no longer be eligible to receive interest credit.

21. **Appeal:** Applicants or borrowers may appeal any FmHA program administrative action by which they are directly or adversely affected. This includes having a request for FmHA assistance denied or having FmHA assistance reduced, cancelled, or not renewed. The County Supervisor will provide information on appeal procedures.

The above items were discussed on _____ and we acknowledge receipt of a copy of the discussion outline.

County Supervisor.

Applicant.

Co-Applicant.

Original to Borrower case file.

Copy to Borrower.

Exhibit E—Sample Letter to Applicant When Loan Funds Are Depleted and Long Delays are Expected in Application Processing

Dear _____:

As will be explained in this letter, we cannot complete processing of your loan application at this time. However, based on the information you presented, it appears that you may be eligible for a rural housing loan from this Agency.

although applicants may be considered eligible, all loans are approved subject to the availability of funds. Presently, there are no housing loan funds available. We are continuing to take applications; however, we estimate it may be — months before funds are available for your loan. Therefore, this is not a final determination of your eligibility.

When funds become available for the processing of your application it will then be necessary to make a final determination of eligibility before a loan can be approved. To avoid duplication of work, we will not order a credit report or verify your income until closer to the time when your loan can be processed to conclusion. We will notify you at that time and request to be informed of any changes in your debt structure or employment. In the meantime, it is important that you not jeopardize your position by anticipating that a loan will be made and thereby incur debts for things such as a building site, or the repair, purchase or construction of a home. These can be no assurance that such debts could be refinanced.

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 that 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 is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

We regret that you must be inconvenienced by this unavoidable delay. You can be sure that every effort is being made to assist you to obtain the financing you need. Your cooperation and understanding is appreciated. If you have any questions concerning the status of your application, please feel free to contact our office at any time.

Sincerely,

County Supervisor.

Exhibit F—Interest Credit Agreement Renewal

Dear (FmHA Borrower):

The Interest Credit Agreement you signed, reducing the effective interest rate on your Rural Housing loan, expires soon. To determine whether you are eligible to continue to receive a reduction in your housing loan payment, we will need information about:

1. Your income and the incomes of all other adults who live or propose to live in the dwelling during the next 12 months. You should report *all* income to be received from employment, including overtime pay, bonuses, commissions, tips, etc. You should also include *all* income to be received from other sources such as unemployment benefits, workman's compensation, disability income, pensions, veteran's benefits, social security, child support, alimony, welfare payments, and any other source.

2. Information that will justify income deductions or exemptions to which you may

be entitled. This may include items such as: (1) income received for the care of foster children, (2) income for services rendered as a volunteer in organizations such as VISTA, Peace Corps, Foster Grandparent and Retired Senior Volunteer, (3) payment received for training or travel expenses paid by the Department of Labor to CETA participants, (4) depreciation of essential business or farm property, (5) qualified work related expenses, (6) qualified payment for child care or disabled dependent care, and (7) qualified payments for nursing home or institutional type care.

3. The number of dependent minor children (not including foster children) residing in the dwelling.

4. The amount of real estate taxes paid by you on your dwelling last year reduced by any tax exemptions available but not taken.

5. The amount you pay each year for fire or hazard insurance on your dwelling.

This information must be provided promptly to the Farmers Home Administration (FmHA) by completing the enclosed Interest Credit Agreement in Section II. When applicable, the enclosed Request for Verification of Employment should also be completed. If you are self-employed or a farmer, contact the County Office so we may assist you in providing the required information.

1. Interest Credit Agreement—Complete section II of the agreement, sign the form in the space provided, and bring all copies of the form to the FmHA County Office.

2. Request for Verification of Employment—You and each of the employed adult members of your household must complete one of the forms for each source of employment income. Items 1, 2, and 3 must be completed and the form signed in block 4. The form and one of the enclosed envelopes should be sent or given to each employer. You should request the employer to complete and send the form to the FmHA County Office within 10 days. To ensure that the form is returned you should place a stamp on the envelope before giving it to the employer. If additional copies of the form are needed they may obtain from the FmHA County Office.

An interview with you is required to make certain that all information is complete and accurate. You are scheduled for an interview at our office on (date) at (time). A copy of the completed Interest Credit Agreement will be returned to you showing the amount of interest credit, if any, that will be credited to your loan account.

The enclosed Interest Credit Agreement and Verification of Employment must be completed and returned to your local County Supervisor by (expiration date of current agreement). Failure to return the forms with information completed as requested will result in loss of interest credit which you may otherwise be eligible to receive and your loan payments will be increased to \$— beginning with your (date) payment. Please bring *all* papers with you as all income must be considered to compute Interest Credit. If you have any questions you should contact the local County Office immediately at (phone number).

Sincerely,

County Supervisor.

Exhibit G—Mutual Self-Help Housing Guidelines

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Introduction.
Leadership and Supervision.
Basic Requirements.
Organization and Agreements.
Preconstruction Meetings.
Construction.

Exhibit G—Mutual Self-Help Housing Guidelines

How to give low-income rural people an opportunity to have a decent home of their own is a major challenge in rural America. To help such persons have an adequate home at a cost they can afford, the Farmers Home Administration (FmHA) makes Rural Housing (RH) loans to individual persons to enable them to participate in a mutual self-help housing project. This program is specifically designed to help those who do not have enough income to build modest homes by customary methods, to work together to build modest homes of their own.

Participating applicants who are approved by FmHA may obtain rural housing loans to buy materials, to pay for any skilled labor and contract costs required for work on their own homes and if necessary buy a building site. Basic construction labor will be performed by families mutually helping each other, after forming an unincorporated or incorporated association for this purpose.

This exchange of labor, without a cash cost to the families, is the key to the mutual self-help housing program. In this way the houses can be built for considerably less cash cost than by customary methods.

There also may be savings in the cost of materials purchased. All members of the group may buy their materials from suppliers who offer the most favorable prices. Material suppliers may offer discounts to those participating in mutual self-help housing if they know they will have a large volume of sales to members of the group.

Families have been able to build modest homes suited to their needs at savings of several thousand dollars. This substitution of labor equity for cash can reduce the cost of homes enough to bring the price of a modest home within reach of low-income rural families.

Persons interested in working with other families on an organized basis to build their own homes should contact the FmHA County Supervisor serving the area in which the housing will be located.

The County Supervisor will obtain the prior approval of the State Director for committing the FmHA to participate in each mutual self-help project.

Leadership and Supervision

FmHA will provide the overall leadership and supervision and determine the eligibility of the participating applicants to receive Rural Housing loans. A special construction supervisor may, with prior authorization of the National Office, be hired by the State Director to help the applicants with their

home building. In some cases construction supervision assistance may be offered by another agency or organization. FmHA will consider such offers under the following conditions:

1. The agency or organization must have the legal, financial and actual capacity and resources to provide the construction supervision assistance under the direction of the FmHA County Supervisor.
2. The respective responsibilities of all parties should be clearly defined and stated in a written agreement to be signed by the participating agencies.
3. The proposal must be compatible with the FmHA borrower method of operation, more specifically:
 - a. FmHA will make Rural Housing loans to applicants based on the need and qualifications of each.
 - b. FmHA will determine the eligibility of each applicant, approve the house plans, inspect the construction, and disburse loan funds as needed on an individual-case basis. Loan funds will not be pooled.
 - c. No advance commitments of loan funds will be made for any project. A commitment of funds will be made for each loan when it is approved subject to the conditions stated in each loan approval.
 - d. No loan funds may be used to pay for construction supervision or to pay borrowers for working on their homes or on the homes of others who are participating.
 - e. The construction will involve as much on-site work as practicable, to obtain maximum savings to those participating.
 - f. Basic plans and construction methods should be standardized to the extent practicable.

Basic Requirements

Rural housing loans will be made by FmHA to those who participate in a self-help housing group and who:

1. Do not have sufficient income to build a modest home by customary methods.
2. Are creditworthy by FmHA standards and can comply with all other eligibility requirements for rural housing loans.
3. Desire to build a home of their own that is simple in design, structurally sound, and low in cost.

The following basic conditions are essential to the success of a self-help housing venture:

1. A sincere spirit of cooperation on the part of all participants.
2. Competent leadership and technical supervision.
3. A complete understanding by each person of the responsibilities involved.
4. Adequate time available to participants to do the work.
5. Sufficient skills among the members of the group to do at least the basic construction work.
6. All the building sites must be close enough together to permit convenient exchange of work.
7. Ordinarily from 6 to 10 families can work together satisfactorily.

Organization and Agreements

An understanding should be reached on important items such as when the individuals

in the group will be available to work, the amount of work to be performed, the number to be involved in the various work groups and the amount of time each will spend working on the homes. The group will develop a written agreement drawn so as to be binding upon all members signing it. Attached as Exhibit G is a suggested form of such an agreement called a Membership Agreement. All participating members will sign the Membership Agreement and each applicant will be given a copy. Any such document used will be given prior review and approval by the FmHA to be sure that it is legally adequate and does not conflict with applicable State laws or FmHA regulations. This should be done with the assistance of the Office of the General Counsel.

Each applicant will execute a promissory note for an amount equal to the value of the services they agree to perform for the association to build the houses. See Exhibit G-2. Such a note should not be secured by a lien against the property.

Preconstruction Meetings

The successful conduct of a mutual self-help housing program requires a series of meetings with those participating. These meetings should be held to discuss fully all of the planning, construction, and maintenance of a home, the responsibilities of home ownership, and the requirements for an FmHA rural housing loan. These meetings also will familiarize the applicants with the self-help approach, develop mutual confidences among participants and develop the interest of community leaders in the project. During the group meetings the FmHA County Supervisor and those who will be responsible for the supervision of the construction should be able to learn about the capabilities of the individuals and determine the extent to which construction can be carried out under the self-help method.

The actual number of meetings held will depend on the rate at which the group progresses toward reaching a full understanding of the responsibilities involved. Experience indicates that from 8 to 10 meetings usually will be adequate. Local people should be used, where practical, to discuss appropriate subjects in the meetings. This will help in making the local community aware of the self-help program, and also help obtain local acceptance and support for the project. The following is a recommended sequence of meetings and a suggested list of subjects to be discussed:

The first meeting should be explanatory in nature. The FmHA County Supervisor should discuss the basic principles involved in mutual self-help housing, together with a brief explanation of the purposes and limitations of and the requirements for rural housing loans. The County Supervisor should also discuss obligations of home ownership such as loan payments, taxes, insurance and maintenance. At the first meeting, time should be allowed for the individuals to become acquainted with one another. In closing the first meeting, the group should be informed of the duties and responsibilities of the officers and committees needed to carry out a mutual self-help program. The members

of the group should be considering a name for the organization and the persons best suited for the various positions in order that the officers and committees can be selected at the next meeting.

At the second meeting an association should be formed and the officers and committees selected. They might include the following:

1. President.
2. Vice President.
3. Secretary-Treasurer.
4. Labor Manager.
5. Purchasing Committee.
6. Program Committee.

Additional meetings are essential, but the order in which the subjects are presented or the number of subjects included in any meeting may vary. The following topics are suggested for a series of meetings:

1. *Site Planning and Building Codes.* An architect, FmHA engineer, or a good builder who also does home designing could be invited to discuss factors in selecting house size. The local building inspector could be asked to speak on building and health code requirements.

2. *Home Planning.* An architect or home economist may be invited to discuss home kitchen layouts, traffic patterns, window placement, economical construction, and other considerations in the selection of a good house plan.

3. *Plans and Specifications.* The group will probably have questions and need individual help in making decisions concerning plans and specifications for their homes. The County Supervisor and the construction supervisor should help each applicant develop suitable specifications.

4. *Cost of Materials.* The purchasing committee will obtain and review prices of materials and contract work. At one of the last meetings to be held before the construction starts, the purchasing committee should report on its recommendations for buying materials and awarding contracts.

5. *Taxes.* A discussion of the method of tax appraising could be given by the local tax assessor. Based on plans and locations a rough estimate should be made of expected taxes.

6. *Insurance.* A local insurance agent may be asked to speak on insurance for fire and extended coverage, household policies, and other coverages of interest to the group such as liability insurance. The FmHA County Supervisor should discuss fire, windstorm and other hazard insurance requirements of RH loans.

7. *Mortgage Requirements.* The FmHA County Supervisor might discuss the FmHA mortgage and related requirements. A local attorney might be asked to discuss other legal aspects of the program.

8. *Maintenance Costs.* The County Supervisor, the construction supervisor or a local real estate agent might discuss the importance of proper maintenance for a home. They should emphasize how money spent for maintenance improves appearance, helps maintain value and saves money in the long run.

9. *Money Management.* The FmHA County Supervisor should impress upon the group the

necessity of following the basic principles of money management such as keeping records, following a budget, and not overspending on non-essentials.

10. *Labor Sharing Arrangement.* The group should discuss and reach decisions as to how the members will share the labor, how records will be kept of time worked, how to make sure that labor will be exchanged on a basis that is fair to all members and how to evidence and record these decisions.

11. *Use of Tools.* One or more of the meetings should include demonstrations and training by the construction supervisor of the safe and proper use of tools. Special attention should be given to the use of basic tools such as level, square, rule, saw, and any power tools that might be used in the construction.

12. *Construction and Work Procedures.* The authority and duties of the construction supervisor will be discussed in detail. The procedures for actual construction will be discussed including labor sharing, work programs, order of development, function of committees, time reporting for work completed and future hours available.

13. *Ground Breaking Plans.* The final preconstruction meeting should be more of a social get-together than a business meeting. This is also the logical time to plan a ground breaking ceremony for the day the loans are closed.

Construction

The basic work is performed, largely on a labor exchange basis, by the participating families under the guidance of the construction supervisor.

The group may, depending on the skills of the individuals, plan to do all the work or plan to contract for work which they cannot do readily, such as installation of wiring, plumbing and kitchen cabinets and equipment, excavating for basements and dry-wall finishing. Highly skilled or specialized jobs will be contracted when such services are not available in the group.

There may be an inclination on the part of some participants to want to concentrate on their own homes, particularly after the framing is in place. Therefore, a prior understanding should be reached regarding the specific responsibilities of each family. Rather than completing or nearly completing each house one at a time, work should start on all houses and each stage of construction be finished on all before starting the next stage of construction on any house, to the extent consistent with good construction practices.

To effect savings, materials for all the houses may be purchased from the one or several suppliers who offer the lowest prices. Also, all contracts for members of the group may be awarded to the same contractors. To illustrate, the plumbing contractor offering the lowest price ordinarily should perform the plumbing for all of the dwellings.

Each borrower will pay the material supplier for materials used, and the contractor for work done, on its own home. All deliveries of materials will be itemized separately for each home. The Association as a whole, after considering the suggestions of the purchasing committee will recommend the suppliers from whom materials will be

purchased and the contractors to whom the contracts will be awarded.

The construction supervisor with the advice of the president of the association should divide the group into work teams. Work teams should be organized on the basis of skills, compatibility, and availability. For example, one team could lay out and pour footings and another team could lay bricks. The third team could begin framing as soon as the foundation is ready.

A firm understanding will be reached that no changes in construction from the approved plans and specifications may be made without furnishing the County Supervisor with full cost figures and obtaining approval in advance. If any change results in a need for additional funds, they must be furnished by the borrower before approval. All homes should be finished at or about the same time and none should be occupied prior to completion of them all.

The Association should have brief meetings, at least once a week, to:

1. Report on performance and hours of work performed.
2. Settle any disagreements.
3. Plan work schedule and purchases for the coming week.

Exhibit G-1—Membership Agreement

Association

Membership Agreement

We understand that by signing this agreement we will become members in the _____ Association when we receive adequate credit to finance the home we intend to build. We have read the agreement or have had it read to us and agree to comply with all its provisions. Each applicant has been given a copy to keep.

Purpose

The purpose of this Association is to provide a way whereby each member can help itself and every other member to build its own home.

Membership

Membership will be limited to those persons who:

1. Do not have an adequate home;
2. Are willing to work with the other members of the Association in building their homes;
3. Have a commitment to obtain financing for the cash cost of their home; and
4. Sign the Membership Agreement.

Applicants and co-applicants may both sign the Membership Agreement. As used in this agreement the term "Applicant" means either applicant or co-applicant when both sign the agreement, or the person signing when only one signs.

Voting Rights

Each member will have one vote in the election of officers and all other matters involving a decision by the membership.

Officers

The officers of the Association will be a President, Vice-President and a Secretary-Treasurer. Each will be elected, at a meeting, by a majority vote of all the members and will continue to hold office unless the officer

resigns, dies, is incapacitated, or is removed by vote of two-thirds of all the members at a called meeting for the purpose of considering such removal. The duties of the officers will be as follows:

The President will:

1. Call membership meetings and officers' meetings;
2. Preside over all meetings;
3. Work closely with the construction supervisor; and
4. See that committees and members carry out their responsibilities in connection with mutual self-help project.

The Vice-President will:

1. Act for the President in the President's absence, and
 2. Be chairman of the Program Committee.
- The Secretary-Treasurer will:
1. Keep the minutes of each meeting.
 2. Handle correspondence of the Association.

3. Collect and handle through a checking account in the Association's name, funds the organization may need. These may include items such as stationery, stamps and record book.

4. Maintain other records of the Association at the direction of the President.

Appointed Committees and Positions

The officers by majority vote will appoint the following from the membership:

1. A Labor Manager who will keep records of the hours worked by each member and notify the construction supervisor as to the availability of members for work on the housing.

2. A Purchasing Committee of three members of the Association that will obtain and review prices and cost estimates for the houses to be built and recommend contractors and suppliers to be used by the members.

3. Two of the three members of the Program Committee. The third member will be the Vice-President, who will be chairperson. This committee will help plan meetings and assist in obtaining outside speakers.

Meetings

Meetings of officers and meetings of members will be held as often as necessary to successfully complete the mutual self-help housing. Meetings may be called by the President when considered advisable and will be called by the President at the written request of not less than _____ members, or at the request of the Farmers Home Administration County Supervisor or other authorized Farmers Home Administration employee. Each officer or member will be notified at least three days before the meeting as to the time, date and place of each meeting by mail, telephone or by announcement at the preceding meeting.

Labor Exchange Agreement

Each member agrees to furnish 700 hours of labor for the construction of houses of the other members of this Association in return for 700 hours of labor from other members in the actual construction of its house. We understand that if more than 700 hours labor is required from each member to complete all houses, each member will furnish its share of

additional labor needed. In case less than 700 hours labor is required from each to complete all the houses, each family's obligation under this agreement will be satisfied when it has contributed the number of hours labor actually required.

The number of hours worked by each member or by any other person for any applicant credit will be verified by the Labor Manager. Each member will sign a promissory note to the Association in the amount of \$_____. It is understood the amount of \$_____ for each approved hour of labor performed will be credited on the note and that the note will be satisfied when the number of hours required of each member has been worked. However, if any member because of death, illness, or injury is unable to make its full labor contribution personally or from other sources as required, that member will be excused to that extent from performing its labor agreement, and all the other members will assist such a member in completing its house and will contribute the additional amount of labor for all the houses which otherwise the stricken member would have furnished.

We agree to exchange labor on the following basis:

1. Equal time will be allowed for labor performed by members in the actual construction of the homes regardless of the type of work involved.

2. Rates for time allowances for labor performed by persons other than members, will be determined by the Officers with the approval of the Labor Manager and the construction supervisor.

3. A member may not work alone on the member's own house unless the job can be done alone and the consent of the construction supervisor has been obtained.

4. The hours worked will be reported by each worker to the construction supervisor each day. The construction supervisor will promptly turn in a work sheet for each worker to the Labor Manager, who will credit the hours worked to that member's account. In case of a dispute as to the number of hours to be credited, the question will be resolved by a majority vote of the officers of the Association.

General Agreements

We agree that:

The Association, by majority vote, will determine and recommend the best way to buy materials and recommend contractors for any skilled work. Each member shall make its own decision in selecting the type of building materials and in selecting a contractor from those recommended by the Association. Each member shall pay the cost of materials and the contractor in connection with its own home.

2. The Association will collect cost of operation of the Association from members, not to exceed \$_____ from each member.

The Association will collect, by any means available, payment for failing to provide the amount of labor agreed.

4. The Association will act for the group in other matters related to the project when authorized by a majority of the members.

5. Property insurance will be obtained by the members as required by the Farmers Home Administration. Members also will obtain workmen's compensation insurance as required by State law or public liability insurance against claims of others when required by the Farmers Home Administration.

Dissolution

After a determination is made by the officers that the last house is completed and that there are no obligations of or to the Association, upon majority vote of the members and with the consent of the Farmers Home Administration the Association shall terminate.

Amendments

Amendments to this agreement may be made by a majority vote of the members, at a meeting called for the announced purpose of considering amendments, to take effect upon approval by the Farmers Home Administration County Supervisor; but no amendments may decrease the rights or increase the liability of any member without such member's consent.

Date _____ Signed Applicant _____
Date _____ Signed Co-applicant _____

Date _____ Signed Applicant _____
Date _____ Signed Co-applicant _____

Date _____ Signed Applicant _____
Date _____ Signed Co-applicant _____

Date _____ Signed Applicant _____
Date _____ Signed Co-applicant _____

Exhibit G-2—Promissory Note

Date _____

Eighteen months after date for value received, we promise to pay to the _____ Association or order the sum of _____ (\$). We have agreed to furnish said Association 700 hours of our own labor or the labor of other persons as approved by the officers and Labor Manager of the Association and the construction supervisor in accordance with the Membership Agreement of the Association. Credits will be made on this note at the rate of \$_____ for each hour worked by either of the undersigned, and at a rate determined in accordance with the Membership Agreement for each hour worked by any other person for the account of the undersigned, in the next eighteen months. This note will be satisfied when the undersigned have furnished the actually required number of hours labor. All time worked must be approved by the Labor Manager of the Association. This note is subject to all provisions of the Membership Agreement.

Applicant _____
Witness _____
Co-applicant _____
Address _____

(42 U.S.C. 1480; 7 CFR 2.23; 7 CFR 2.70)

Dated: November 6, 1981.

Frank W. Naylor, Jr.,
Under Secretary for Small Community and Rural Development.

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