



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1766 (1956)

June 28, 1988

SUBJECT: Debt Settlement of Non-Program (NP), Economic Opportunity (EO) Loans, and Claims Against Third-Party Converters, and Housing Loans other than Single Family Housing

TO: State Directors, District Directors, and
County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this AN is the clarification of what a non-program loan is and the settlement of loans and claims under the Federal Claims Collection Act regarding the approval authority of the United States Attorney and the meaning of "the gross original amount."

COMPARISON WITH PREVIOUS AN:

This AN supplements FmHA AN No. 1710 (1956) dated December 30, 1987.

IMPLEMENTATION RESPONSIBILITIES:

The Department of Justice, Commercial Litigation Branch, which has the responsibilities for reviewing debt settlements under the Federal Claims Collection Act, has informed us that the settlement authority of the United States Attorney has been raised to \$200,000. Therefore; those loans and claims with a current outstanding principle balance (exclusive of interest) over \$20,000, but less than \$200,000, (inclusive of interest) should be referred to the United States Attorney, in whose judicial district the debtor can be found. Also, in determining where to refer a debt settlement, the phrase "gross original amount," will be interpreted as meaning the present gross amount of the claim at the time of debt settlement, not the initial principal balance.

When liquidation of an account is necessary because of failure to graduate to other credit, the State Director may, in lieu of foreclosure, permit the borrower to pay the account under an accelerated repayment agreement. While FmHA Instructions currently provide that such loan will be recategorized as an NP

EXPIRATION DATE: December 31, 1988

Filing Instructions:
Preceding FmHA
Instruction 1956-B



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loan because the borrower has entered into an Accelerated Repayment Agreement, for purposes of debt settlement, this loan is still considered to be a program loan and debt settled under FmHA Instruction 1956-B. Non-Program loans which must be referred to the Department of Justice are those loans which started out as NP loans, e.g., credit sales of inventory property to ineligibles and transfers where the transferee was ineligible.



VANCE L. CLARK
Administrator