



FmHA AN No. 2743 (1951)

February 3, 1993

SUBJECT: Checklist for Review of Entity Borrowers
That Will Receive Writedown or Writeoff

TO: State Directors, District Directors, and
County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this AN is to provide a review guideline for the State Director and, indirectly, for District Directors and County Supervisors, in the preclosing review of loan servicing dockets of entity borrowers who will receive writedown or writeoff. The intended outcome is to eliminate common servicing deficiencies in handling such cases.

COMPARISON WITH PREVIOUS AN:

This AN replaces FmHA AN No. 2482 which expired September 30, 1992.

IMPLEMENTATION RESPONSIBILITIES:

In an effort to continue to improve the accuracy of FmHA servicing actions under FmHA Instruction 1951-S, the checklist has been reorganized and is being reissued. The State Director will continue to review all loan servicing cases which will require either a writedown or a writeoff of the FmHA debt in accordance with Section 1951.903(b) of FmHA Instruction 1951-S. Prior to closing a debt restructuring or a net recovery buyout, the list will be considered in conjunction with the State review to determine that no listed deficiencies exist in the subject case.

The list consists of the following items.

1. Individual financial statements were obtained for all entity members.
2. Entity financial statements included all debts.
3. The Farm and Home Plan was current and accurate.

EXPIRATION DATE: December 31, 1993

FILING INSTRUCTIONS:
Preceding FmHA
Instructions 1951-S



4. ASCS payments and other farm income were verified.
5. Projected expense and production/income figures reflected historical trends or State guidelines. Deviations were well justified and documented.
6. The year after deferral plan was developed.
7. The balance available from Table J of the Farm and Home Plan was correctly transferred to DALR\$.
8. Non FmHA debts were verified and correctly included in DALR\$.
9. The security priority of FmHA loans was correctly classified.
10. FmHA loan data was correctly transferred to DALR\$ from either the AI or DL screen printout.
11. The constants used in DALR\$ were correct.
12. Original rates and/or terms for existing FmHA loans were correct in DALR\$.
13. New rates and terms for existing FmHA loans were correct in DALR\$.
14. Required appraisal reports were accurate, current (not over 12 months old) and in the file.
15. Appraised values were accurately transferred to DALR\$.
16. The Capitalization Value and the Market Value on the real estate appraisal did not vary by more than 5 percent.
17. Chattel security was released or otherwise accounted for on Form FmHA 1962-1.
18. A copy of the lien instrument securing the recapture agreement was properly prepared and in the file (post review only).

ANY REVISIONS OR MODIFICATIONS TO THIS AND THAT YOU WISH TO PUBLISH AS A STATE DIRECTIVE MUST BE SUBMITTED AND APPROVED BY THE ASSISTANT ADMINISTRATOR FARMER PROGRAMS BEFORE IT IS RELEASED FOR IMPLEMENTATION IN YOUR STATE. THE ONLY EXCEPTION TO THIS REQUIREMENT IS WHEN THE REVISION OR MODIFICATION IS NECESSARY FOR COMPLIANCE WITH STATE LAW.

If you have any questions, please contact Charles W. Thompson, Farmer Programs Loan Servicing and Property Management Division, at FTS (202) 690-4011.



SANDRA L. WEISMAN
Acting Administrator

Sent by Electronic Mail by GSS on 2/9/93 at 4:00pm .