



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

October 8, 1982

SUBJECT: Handling Delinquent and Problem  
Farmer Program Loans in FY 1983

TO: State Directors, Farmer Program Chiefs,  
District Directors, and County Supervisors

We appreciate the professional manner in which you administered Farmer Program operations during FY 1982. Your management techniques, expertise and dedication have enabled thousands of FmHA borrowers to continue farming.

The major collection season, followed by analysis of 1982 operations and subsequent planning for 1983, is again upon us.

Our basic policies and criteria for servicing delinquent Farmer Program loans in 1983 are set forth below:

I. Basic Policy

The adequate servicing of delinquent and other problem Farmer Program loans to assist borrowers overcome financial and management difficulties and to protect the Government's interest continues as a prime concern of this Administration. We emphasize that FmHA at all levels will make every effort feasible to assist financially pressed borrowers overcome their difficulties. Borrowers must be assured that we understand their problems and that we will continue working with them on a fair but firm basis, using all our authorities to assist them to remain in farming when their farming operations are feasible. Within our broad authorities we should be able to continue our assistance, including additional loans, to delinquent and problem borrowers described in Items 1 and 2 of paragraph II B below, except for those who do not meet the criteria set forth in paragraph II A below.

Borrowers who received loans in accordance with the Administrator's memorandum policy statement dated February 3, 1982, and who are in default on these loans will be serviced in accordance with the appropriate provisions of this Administrative Notice.

II. Criteria for Continuing Assistance to Delinquent and Problem Borrowers

- A. Assistance to borrowers described in Items 1 and 2 of paragraph II B below will be continued to those who:

EXPIRATION DATE: October 31, 1983

Filing Instructions: Preceding  
FmHA Instruction 1960-A



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Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, D.C. 20250

1982-001 # 1569 29711

1. Have acted in good faith by demonstrating sincerity and honesty in meeting their agreements and promises made with FmHA.
  2. Have been unable to pay their accounts as scheduled due primarily to circumstances beyond their control.
  3. Apply production and financial management practices that are considered by FmHA as acceptable and suitable for their type of operation.
  4. Have properly maintained chattel and real estate security and properly accounted for the sale of mortgaged property, including crops, livestock and livestock production.
- B. As an aid in determining the servicing actions most appropriate for each delinquent and problem Farmer Programs borrower and to decide whether additional loans should be made, guidance is provided below. Any additional FmHA loan assistance should be provided only to those borrowers who meet the requirements of paragraph II A above.

1. Delinquent and/or other problem borrowers: These borrowers have been delinquent on one or more FmHA loans and/or other loans for 1 or more years, or have other problems such as production losses due to disease, weather, health problems or other difficulties that can be corrected through adequate planning and supervision. Their existing FmHA and other loans and any proposed loans are adequately secured.

Additional loans may be made to these borrowers, pursuant to FmHA regulations, to assist them to continue their operations when specific actions can be planned to resolve their problems. In each case, a current and typical Farm and Home Plan will show that undeferred installments on any new FmHA loan and maturing installments on existing FmHA and other lender loans can be paid from the planned year income. Also, the plans should show that any delinquent FmHA and other lender principal and interest can be paid in a reasonable period of time. When the borrowers plans do not indicate enough income to meet these requirements, the borrower may be provided annual production loans as set forth in paragraph II B 2.

2. Seriously delinquent and/or other problem borrowers:

These borrowers have been delinquent on their FmHA loan(s) and/or other loans for more than a year, their FmHA and/or other loans are not fully secured, and other problems of management, lack of technical skills, lack of production resources, economic difficulties or other serious difficulties make success doubtful.

In these cases, an annual production expense loan needed to continue the operation may be made when needed improvements are planned and the Farm and Home Plan shows this loan, including interest, can be repaid from the year's income.

As provided in FmHA Instruction 1960.12 (e), all borrowers determined eligible for annual production loans only will be advised by letter of their serious financial condition, the importance of carrying out the Farm and Home Plans as developed for the 1983 crop year, and that FmHA is continuing to finance their operation on a year-to-year basis only. They will be advised that their farm operation will be evaluated at the end of the production season for the purpose of determining whether FmHA will provide further financial assistance.

3. Severe problem borrowers: These borrowers have been problem borrowers and/or have been delinquent on their FmHA or other loans for more than 1 year (usually several years). Their severe overall problems cannot be corrected through the use of any FmHA servicing authorities or nonFmHA services available in the community. Liquidation action will be taken on these cases in accordance with appropriate FmHA regulations.

### III. Other Servicing Actions

- A. The delinquency and problem case reviews, prescribed in FmHA Instruction 1960-A, for 1983 should be completed as soon as possible. These reviews should clearly identify the reasons for the borrowers' problems. Realistic, workable plans should be developed, if possible. At the time of the reviews, the District Directors will schedule periodic followups to ensure accomplishment of the planned corrective actions.
- B. In determining if additional assistance will be provided to a borrower, consideration will be given to rescheduling, reamortizing and deferring the borrower's loans according to FmHA regulations, when such actions will improve the borrower's chance for success. When a deferment is granted, borrowers must fully understand that interest continues to accrue and that future payments may be increased as a result of the action.
- C. The 1983 Farm and Home Plans must be realistic, taking into consideration the borrower's past performance, the history of the farm's production, marketing conditions and the improvements and adjustments planned for the operation.

- D. Present FmHA policy on subordinations for operating purposes will continue through December 31, 1983. AN 606 (1962-A), dated November 2, 1981, is hereby extended through December 31, 1983. In all feasible cases, borrowers will obtain all or a portion of their operating credit needs from other lenders. All appropriate field personnel will remain informed of current lending policies of other area agricultural lenders. A close working relationship with them will be maintained to ensure that FmHA loans are made only when needed credit is not otherwise available.

State Directors should immediately review the requirements set forth in this Administrative Notice with their Farmer Program staffs and their District Directors and develop plans for implementing and monitoring these requirements.

Effective supervision and servicing of delinquent and problem accounts is extremely important to the success of FmHA's farm loan programs. All of us share this responsibility.

Immediately upon receipt of this notice, State Directors and County Supervisors will arrange to discuss its provisions with other lenders in the area.

Because of increased litigation involving the way FmHA handles its delinquent and problem farmer program loans, all considerations given to the borrower as outlined in this AN should be fully documented in the running case record.



CHARLES W. SHUMAN  
Administrator

SENT BY ELECTRONIC MAIL TO STATE DIRECTORS ON OCTOBER 8, 1982 at 4:18 p.m.  
BY MISD(IMPS).