

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

**Regular Direct Loan Servicing
4-FLP**

Amendment 30

Approved by: Acting Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 65 F has been amended to remove reference to insured loans.

Subparagraph 65 G has been removed to eliminate the requirement to send a final payoff letter.

Subparagraphs 67 A and B have been amended to clarify guidance on managing PAD.

Paragraph 68 has been added to provide FSA specific instructions for completing IRS W-9.

Subparagraph 98 D has been amended to require adding the fund code and loan number to identify MicroLoan security on FSA-2028.

Subparagraph 100 A has been amended to add a note about borrower training.

Subparagraph 117 B has been amended to require Administrator's exception for short term loans which will subsequently be refinanced with a release and refile with additional debt placed ahead of FLP debt, instead of a subordination.

Subparagraph 146 A has been amended to reference FSA-2060 and FSA-2470.

Subparagraph 248 E has been amended to reference Exhibit 35 (formerly Exhibit 51).

Subparagraphs 281 A has been amended, and B has been added to clarify guidance for borrowers on active duty.

Subparagraph 282 A has been amended to reference the new Exhibit 51, for guidance about Service Members Civil Relief.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraphs 283 A and B have been amended to clarify:

- payment suspension during active service
- deferral once active duty service has ended
- details of Exhibit 53.

Exhibit 2 has been amended to update the note under operator to remove disaster-set-asides.

Exhibit 34 has been withdrawn because FSA no longer sends a final payoff letter.

Exhibit 35 has been added to provide the denial of non-program assistance letter, previously in Exhibit 51.

Exhibit 51 has been added to provide an example letter for the Service Members Civil Relief Act.

Exhibit 52 has been amended to reference 1-FLP, subparagraph 5 B for the applicable FAX number, and change references from deferred/deferral to suspended/suspension.

Exhibit 53 has been amended to clarify the ending date of the suspension and non-accrual status, and interest accrual during the post deployment deferral period.

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65 Final Payments (Continued)**E Borrower Refunds**

[7 CFR Part 765.155(b)] If the borrower refunds the entire loan after the loan is closed, the borrower must pay interest from the date of the note to the date the Agency received the funds.

F Security Instrument Releases

[7 CFR Part 765.155(a)] (1) Unless the Agency has reservations regarding the validity of the payment, the Agency may release the borrower's security instruments at the time payment is made, if the borrower makes a final payment by one of the following methods:

- (i) Cash;**
- (ii) U.S. Treasury check;**
- (iii) Cashier's check; or**
- (iv) Certified check.**

[7 CFR Part 765.155(a)(2)] Security instruments will only be released when all loans secured by the instruments have been paid in full or otherwise satisfied.

The authorized agency official will check FSA's automated systems, including ADPS and DLS, and all information in the borrower's file.

SED may issue a State supplement providing guidance about actions and filing fees for the release of loan security instruments.

[7 CFR 765.155(a)(3)] The Agency will return the paid note and satisfied security instruments to the borrower after the Agency processes the final payment and determines that the total indebtedness is paid in full.

After verifying that the loans are paid in full and the payment has cleared, the authorized agency official will close the case files and return the documents to the borrower according to 32-AS. Any assignments held by FSA will be terminated using Exhibit 27 and satisfaction of liens will be recorded on FSA-2433.

* * *

66 Preauthorized Debit (PAD)**A Introduction**

PAD payments are customer authorized transactions that allow NFAOC to electronically collect loan payments from a customer's account at a financial institution. CMCB is responsible for setting-up, changing, correcting and canceling PAD agreements. PAD was implemented for our FLP customers as an alternative way to make weekly, bi-weekly, monthly, quarterly, semi-annual or annual payments on their loans. There is no additional cost to customers for using PAD.

B Using Form RD 3550-28

PAD is initiated by the customer using RD 3550-28. Customer use of PAD is strictly voluntary. RD 3550-28 must be completed by the customer and the FI. If the customer has a "filter" on their FI account, they will need to provide the FI with the:

- origination ID: 1220040804
- agency name: USDA RD DCFO.

A separate RD 3550-28 **must** be completed for each loan to which payments are to be applied. RD 3550-28 has no expiration date. The web address for the fillable form can be accessed at <https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>, select RD 3550-28.

--66 Preauthorized Debit (PAD) (Continued)*C County Office Actions**

After a transfer and assumption, new borrowers shall be notified of the availability of PAD using Exhibit 27.5 and RD 3550-28. A copy of the notification will be retained in the borrower's case file. See 3-FLP for instructions on initiating PAD for new applicants.

When a customer returns form RD 3550-28 the County Office will:

- review each RD 3550-28 for accuracy and completeness

Notes: PAD may only be established for future payments. An accuracy check should be completed to ensure that customer's PAD payment goal will be met.

A payment submission that will **not** make the annual installment requires advance notice to the authorizing borrower. The County Office will document the notice in the case file (or FBP if appropriate).

- fax a copy of each accurate and complete RD 3550-28 to CMCB at 314- 457-4370

Note: If using fax2mail, please type //FINE at the end of the subject line.
This method will be used for all PAD related contact with CMCB.

- retain each original RD 3550-28 in the borrower's case file (position 2).

D NFAOC Actions

Upon receipt of RD 3550-28, CMCB will update the PAD agreement into the PAD stand-alone system. Allow up to 20 working days for CMCB to establish a borrower in the PAD system.

PAD confirmation letters are created by CMCB when a new account is established or when a change is made to an existing account. The letters are sent to the field office and borrower.

Note: The County Office will complete a thorough review of all PAD confirmation letters immediately after they are received from NFAOC/CMBC. If an error is identified, CMCB should be contacted by fax as listed in Handbook 1-FLP.--*

67 Managing PAD**A PAD Payments and Receipts**

Scheduled PAD payments are withdrawn from borrowers' FI accounts and updated to PLAS (ADPS). FASB manually applies any payments that do not automatically update to PLAS. The PAD transaction will be reflected on the statement the borrower receives from their FI. The statement is the borrower's payment receipt.

If a correction to an existing PAD agreement needs to be made, it should be clearly marked as a correction at the top of RD 3550-28 and FAXed to CMCB. The correction should be sent to CMCB at least 5 workdays before the correction request date.

B Dealing With Non-Payment

When the FI cannot post the PAD transaction to the designated borrower's account, the FI is instructed by CMCB to reject the transaction.

When a PAD transaction is rejected, CMCB contacts the County Office to verify the reason for rejection (such as insufficient funds, account closed, payment stopped), and to determine how the rejected payment will be collected. CMCB cannot proceed until the rejection is resolved; a timely reply from the County Office will expedite the process.

If the reason for the rejection is no fault of the borrower, the original credit date will be given when the resolution takes place.

If a borrower has three rejections within a 3-month period, the PAD agreement will be terminated. See subparagraph E.

C Restructures and Assumptions

When a loan on PAD is being considered for restructuring or assumption, the County Office must fax a detailed memo to CMCB to terminate the original RD 3550-28. To avoid additional payment withdrawals this should be done at least 5 workdays before the termination request date.

The County Office will notify the borrower that PAD is being cancelled in order to process the restructuring or assumption. A record of the notification will be kept in the case file (or FBP if appropriate). This is not an adverse decision.

After a restructure of a loan formerly on PAD, the County Office will notify the borrower of the continued availability of PAD and provide the borrower with RD 3550-28. A record of the notification will be kept in the case file (or FBP if appropriate).

--67 Managing PAD (Continued)*D Final Payments**

To ensure proper account coding, final payments should not be submitted through PAD, but by the County Office through the National Receipt and Receivable System. County Office should take future PAD withdrawals into account when calculating final payments to reduce the number of refunds.

At least 5 workdays prior to loan pay off, County Office should notify CMCB to terminate PAD. The County Office will notify the borrower that PAD has been terminated to reduce the risk of overpayment and to ensure proper accounting of the final payment. A copy of the notification will be kept in the case file (or FBP if appropriate). This is not an adverse decision.

E Cancelling PAD

A borrower may voluntarily cancel PAD by submitting a written request to the County Office. Within 5 workday of receipt of borrower's request to cancel PAD, County Office should notify CMCB to terminate PAD by detailed letter. A copy of the borrower's request and County Office's letter will be kept in the case file.

If a borrower has three rejections within a 3 month period, the PAD agreement will be terminated by the Agency. CMCB will notify County Office that the PAD agreement has been terminated for too many rejections. This is not an adverse decision.

F Additional Information

Below is a description of how the Bi-Weekly and Weekly PAD debits work.

- Bi-Weekly:
 - is always the 1st and 3rd or 2nd and 4th week of the month of any day of week
 - cycle (1st and 3rd) or (2nd and 4th) the initial payment falls on.

Note: There will always be (2) debits per month and all will fall on the same day of the week. The initial debit cannot be the 5th week of the month.

Example: If a borrower chooses to have their first payment pulled on Sunday, May 1, the actual debit from their account would be on May 2nd and then on May 16th. In this case, their debit will always be on the 1st and 3rd Mondays of the month and the date of credit will be on the 1st and 3rd Sundays of the month, etc. --*

67 Managing PAD (Continued)

F Additional Information (Continued)

Bi-Weekly 2 is always on the 1st and 15th of the month.

Note: There will always be (2) debits per month and the day of the week will vary from month to month. The initial debit must be on the 1st or 15th of the month.

Example: If a borrower chooses to have their first payment pulled on Sunday, May 1st, the actual debit from their account would be on May 2nd and then on May 16th. In this case, their debit will always be on the 1st and 15th of the month and the actual debit will be on that date unless it falls on a weekend and then it will be the following Monday. The credit date will always be the 1st and 15th.

Weekly 1 is always the 1st, 2nd, 3rd, and 4th week of the month of any day of the week the initial payment falls on.

Note: There will always be (4) debits per month and all will fall on the same day of the week. The initial debit cannot be the 5th week of the month.

Example: If a borrower chooses to have their first payment pulled on Sunday, May 1st, the actual debit from their account would be on May 2nd, then May 8th would debit on May 9th, then May 15th would debit on May 16th and then May 22nd would debit on May 23rd. If a borrower chooses to have their first payment pulled on May 24th, then the next debit would be on Monday, June 7th. Thereafter, June 14th, June 21st and June 28th. There would be no debit for the last Tuesday in May, which is May 31st.

Weekly 2 is always on the 1st, 8th, 15th, and 22nd of the month. There will always be (4) debits per month and the day of the week will vary from month to month. The initial debit **must** be on the 1st, 8th, 15th, or 22nd of the month.

Example: If a borrower chooses to have their first payment pulled on Sunday, May 1st, the actual debit from their account would be on May 2nd, then May 8th would debit on May 9th, then May 15th would debit on May 16th and then May 22nd would debit on May 23rd.

--68 Completing IRS W-9*A Instructions**

When FSA has security interest in proceeds from a borrower's insurance, integrator, buyer etc. FSA may receive a request from the third party issuer of the payment to complete IRS Form W-9. IRS Form W-9 has instructions, however, the following are specific instructions for FSA:

- item 1 - USDA Farm Service Agency
- item 2 - do not complete
- item 3 - check "Other" and write "Federal Government"
- item 4 - "Exemption Payee Code" (2), and "Exemption from FATCA reporting"
- item 5 - Address, Stop 0523, 1400 Independence Ave. SW
- item 6 - Washington, D.C. 20250-0523
- Part II - contact LSPMD for FSA employer identification number (see 1-FLP, subparagraph 4 E)
- Part III - an authorized agency official may sign and date the document.

Note: A copy of the document should be filed in position 2 of the case file.--*

69-95 (Reserved)

97 Maintaining Debt Instruments (Continued)

B Conducting Yearly Debt Instrument Inventory (Continued)

- take necessary corrective action when the:
 - difference in the principal loan amount or noncapitalized interest amount is more than \$100
 - interest rate must be corrected

Note: Attach a copy of the letter changing the interest rate to the promissory note (it is **not** necessary to correct promissory notes when the rate on the promissory note does not match RC 830A as a result of the interest rate being modified based on a limited resource review).

- obtain guidance from the OGC regional attorney, through the State Office, about any necessary corrections to promissory notes, * * *, or shared appreciation agreements
- ensure that copies of all instruments are filed in case files
- submit cases requiring corrections to the State Office coordinator on FSA-2446 and State *--Office coordinator's will send completed FSA-2446's to NFAOC, FaSB. See 1-FLP, subparagraph 5 B.--*

* * *

Note: State Office coordinators should track and monitor the submission and resolution of account corrections using FSA-2445.

- obtain guidance from OGC regional attorney, through the State Office, about the need to replace lost or missing debt instruments
- advise SED of the review results by July 31 of each year and □retain RC 830A as a subdivided file under FLP 4-1, "Reports" according to 25-AS until the next year's report has been received and reviewed.

98 Maintaining Security Instruments

A Maintaining Security Documents

Each County Office must maintain security instruments according to 32-AS.

B Maintaining Current Information

FSA must review or renew financing statements, security agreements, and other documents for each borrower periodically. County Offices shall use DLS to identify and track security instruments that need to be continued or updated. The authorized agency official will notify the borrower of any required information and documents. Notification, if not made in writing, should be documented in FBP.

C Obtaining New FSA-2028's

FSA obtains new FSA-2028's when:

- a security interest is taken in crops
- FSA obtains additional security
- modifications to the security listed on the working copy of current FSA-2028's have been made
- deemed necessary to protect FSA's security interests.

SED will issue a State supplement to specify when to obtain a new FSA-2028 based on State law.

D Direct Operating Loan-Micro Loan (DOL-ML) Identification Requirements for new FSA-2028's

*--For each DOL-ML, an "M" and the fund code and loan number will be placed next to the security for that loan.

Example: Borrower has a DOL-ML 44-01 secured by a tractor. On FSA-2028, next to the tractor, the servicing official will include "(m-44-01)". A subsequent DOL-ML is secured by a plow; next to the plow, the servicing official should include "(m-44-02)".

If separate and identifiable livestock security cannot be clearly established, all of the type of livestock purchased with DOL-ML funds will be listed on FSA-2028 and identified with an "(m)" and the applicable loan numbers "(m-xx-xx)".

Example: Borrower used DOL-ML to purchase 20 cows. Borrower owned 20 cows before DOL-ML. Borrower now also owns 5 bred heifers. Forty-five cows will be listed on FSA-2028 and identified with "(m-xx-xx)".

A delinquent DOL-ML that receives DSA or restructure is subject to the lien on all assets requirement of 5-FLP, paragraph 211. Once a lien is taken on all assets, the "(m-xx-xx)" identification will be discontinued.--*

99 Borrower Responsibilities for Complying With Loan Instruments (Continued)

I Allotments Leases

[7 CFR 765.252 (e)] (1) The Agency will not approve any crop allotment lease that will adversely affect its security interest in the allotment.

(2) The borrower must assign all rental proceeds from an allotment lease to the Agency.

J Lease Proceeds

[7 CFR 765.252 (d)] Lease proceeds are considered normal income security and may be used in accordance with § 765.303 (paragraph 163).

100 Borrower Noncompliance With Loan Agreements**A Documenting Noncompliance**

To be eligible for any kind of FSA loan servicing options, the borrower must be in compliance with loan agreements. The authorized agency official will fully document a borrower's noncompliance, such as the failure to report using security proceeds, in the borrower's FBP. Documentation must include, but is not limited to:

- type, nature, circumstances, and reasons for noncompliance
- any actions taken by the borrower to correct the noncompliance
- requirements of subparagraph 181 A for conversion.

***--Note:** Failure to complete borrower training is not a noncompliance issue for loan servicing. See 3-FLP, subparagraph 474 C for loan making restrictions for failure to complete borrower training.--*

Borrowers in noncompliance will be given the opportunity to correct the matter whenever possible. The borrower will be contacted and provided the opportunity to explain the potential noncompliance using Exhibit 28.5 or Exhibit 31 for conversion (Part 7, Section 2). The borrower will also be initialized into DLS Special Servicing under "Borrower Potentially Commits a Nonmonetary Default" category and tracked until servicing is completed. Any response received from the borrower will be documented in FBP and any materials will be included in the case file. The authorized agency official will review the borrower's response and determine if the potential noncompliance has been satisfactorily resolved. If the issue is resolved, the case file will be documented and no further action will be taken.

B Nonmonetary Default

Except for third party foreclosures, failure to pay real estate taxes or insurance, and UCC renewal fees, where nonmonetary default decisions can be made in the local office, if the authorized agency official determines that the noncompliance has not been resolved and the borrower is in nonmonetary default, the account will be referred to SED for concurrence. FSA-2551 will be prepared by the local office and must include all pertinent information, evidence, and any responses provided by the borrower about the potential noncompliance. FSA-2551 and all documentation will be forwarded to SED for concurrence of nonmonetary default determination. OGC concurrence is not required.

C Lack of Good Faith

SED will determine if a lack of good faith determination will be pursued and must obtain OGC concurrence. Lack of good faith may only be pursued in conjunction with a submission of the case to OGC and/or OIG for civil or criminal action as described in 5-FLP, Part 11.

117 Conditions for Real Estate Subordinations (Continued)**B Releasing and Refiling Lien Instruments Instead of Subordination (Continued)**

- the borrower agrees to execute new security instruments

Notes: The new security instruments will be refiled immediately after the refinancing is completed.

SED will consult OGC, as needed, to obtain instructions in protecting FLP's lien position.

- no additional debt will be placed ahead of FLP's debt, except for customary costs appropriate to the transaction

***--Notes:** If construction is started before a request is received, approval will not be provided.--*

See subparagraph 197 B for customary costs.

- the refinancing will result in better repayment terms that, except for CL, will assist the borrower in progressing toward graduation.

Note: SED's may delegate their approval authority for releasing and refiling lien instruments instead of subordination to FLC, FLS, or DD.

118 Conditions for Chattel Subordinations**A Chattel Security**

[7 CFR 765.205(c)] The requirement for chattel subordinations are as follows: (1) For loans secured by chattel, the subordination must meet the conditions contained in paragraphs (b)(3)(i) through (xiii) of this section (subparagraph 117 A). Multi-year subordinations may only be approved according to OGC-approved State supplements.

Multi-year subordination must meet all requirements set forth in this subparagraph. State supplements must specifically address the following:

- borrower's inability to obtain credit without subordination, including guarantee;
- borrower's inability to partially graduate; and
- borrower's ability to pay debt before funds are released for each production cycle.

B Second Subordinations on Chattel Security

[7 CFR 765.205(c)(2)] The Agency will approve a request for a second subordination to enable a borrower to obtain crop insurance, if the following conditions are met:

118 Conditions for Chattel Subordinations (Continued)**B Second Subordinations on Chattel Security (Continued)**

- (i) The creditor to whom the first subordination was given did not provide for payment of the current year's crop insurance premium, and consents in writing to the provisions of the second subordination to pay insurance premiums from the crop or insurance proceeds;**
- (ii) The borrower assigns the insurance proceeds to the Agency or names the Agency in the loss payable clause of the policy; and**
- (iii) The subordination meets the conditions under paragraphs (b)(1) through (12) of this section (subparagraph 117 A).**

C CCC Loans

CCC-679's will be used according to 8-LP instead of a subordination when FP makes a CCC loan to the borrower. FSA does not subordinate to CCC loans.

119 Appraisal Requirements**A Appraisals**

[7 CFR 765.205(d)] An appraisal of the property that secures the Agency loan will be required when the Agency determines it necessary to protect its interest. Appraisals will be obtained in accordance with § 761.7 (1-FLP) of this chapter.

At a minimum, real estate appraisals will be obtained when property is to be improved, purchased, or exchanged. FSA does not require an appraisal for real estate security when the:

- loan for which the borrower requests the subordination is:
 - to refinance an existing prior lien and the resulting prior lien will **not** be increased
*--except for customary costs appropriate to the transactions
- **Note:** See subparagraph 197 B for customary costs.--*
- for an essential repair that is needed to restore the value of the security and complies with subparagraph 117 A
- borrower's case file contains an existing appraisal that is less than 1 year old and FSA determines the appraisal to still be sufficiently accurate.

FSA does **not** require an appraisal for chattel security when the:

- proposed subordination is for annual operating and family living expenses only and the projected income from farm production exceeds the subordination amount
- existing FSA chattel appraisal is less than 1 year old and the authorized agency official determines it to be adequate (the authorized agency official must consider property additions to, and deletions from, the latest FSA appraisal) and fully document the decision.

Section 5 Release of Real Estate and Chattel Security Liens Without Monetary Consideration

146 Release Without Monetary Consideration

A Approval

SED may approve a release request by executing FSA-2060, FSA-2470, or other documents approved by OGC.

--SED may approve a release request by executing FSA-2060, FSA-2470, or other documents approved by OGC. The transaction may be approved by using the electronic signature command in the credit presentation section of FBP. SED may designate responsibility to an authorized agency official to execute agency and required legal documents to complete the transaction in FBP. All components of FBP that requires signatures must be included in the physical case file.--

B Release Because of Mutual Mistakes

SED's can authorize a release because of mutual mistakes only when they do all of the following:

- determine that a mutual error existed when the security was included in FSA's mortgage or lien
- obtain OGC's advice on whether a mutual mistake was made
- substantiate that the mistake was made
- document the findings in the borrower's FBP credit presentation.

C Release Because of No Evidence of Indebtedness

The SED may release a borrower's mortgage or lien, if the records of State and County Offices and NFAOC, FaSB contain no evidence of an existing indebtedness secured by the mortgage or lien.

Note: The authorized agency official should verify that the borrower has no outstanding debt with the Rural Development. The findings should be documented in the borrowers FBP credit presentation.

146 Release Without Monetary Consideration (Continued)

D Borrower Requested Chattel Security Release

[7 CFR 765.305(c)] The Agency will release its lien on chattel security without compensation, upon borrower request provided:

- (1) The borrower has not received primary loan servicing or Disaster Set-Aside within the last 3 years;**
- (2) The borrower will retain the security and use it as collateral for other credit, including partial graduation as specified in § 765.101 (Part 4);**
- (3) The security margin on each FLP direct loan will be 150 percent or more after the release. The value of the retained and released security will normally be based on appraisals obtained as specified in § 761.7 of this chapter (1-FLP, Part 6); however, well documented recent sales of similar properties can be used if the Agency determines a supportable decision can be made without current appraisals;**
- (4) The release is approved by the FSA State Executive Director; and**
- (5) Except for CL, the borrower is unable to fully graduate as specified in § 765.101 (Part 4).**

--The authorized agency official will prepare FBP credit presentation explaining how each-- of the applicable conditions above are met and submit the narrative along with supporting documentation to the State Office for review and concurrence. Supporting documentation will include all calculations and copies of any well-documented recent sales, such as recent auctions, or other transactions in the area. State Office officials will review the request and if they concur, submit the request to the SED for approval.

--E Borrower Requested Real Estate Security Release--

[765.351(f)] Real estate security may be released by FSA without compensation when the requirements of paragraph (a) of this section (subparagraph 196 B), except paragraph (a)(3) of this section (subparagraph 196 B), are met, and:

- (1) The borrower has not received primary loan servicing or Disaster Set-Aside within the last 3 years;**
- (2) The security is:**
 - (i) To be retained by the borrower and used as collateral for other credit, including partial graduation as specified in § 765.101 (Part 4); or**

248 Assumption Terms (Continued)**E Transfer of Security and Assumption of Debt by Ineligible Borrowers**

See 1-FLP, Part 2 for levels of authority for approval of NP loans. SED has unlimited approval authority for NP loans. FSA approves NP loans on FSA-2025. Applications for NP *--assistance that cannot be approved will be denied by sending Exhibit 35 to the applicant.--* Applicants have 15 calendar days to request a review of the decision by the next level supervisor within FSA.

[7 CFR 765.404(a)] (1) The Agency will allow the transfer of real estate and chattel security property to applicants who are ineligible for the type of loan being assumed only on Non-program loan rates and terms.

(2) The Agency will reclassify the assumed loan as a Non-program loan.

[7 CFR 765.404(b)] Transferees must:

(1) Provide written documentation verifying their credit worthiness and debt repayment ability;

(2) Not have received debt forgiveness from the Agency;

(3) Not be ineligible for loans as a result of a conviction for controlled substances according to 7 CFR part 718; and

(4) Not be ineligible due to disqualification resulting from Federal Crop Insurance violation according to 7 CFR part 718.

248 Assumption Terms (Continued)**E Transfer of Security and Assumption of Debt by Ineligible Borrowers (Continued)**

[7 CFR 765.404(c)] The transferee must assume the total outstanding Agency debt or if the value of the property is less than the entire amount of debt, an amount equal to the market value of the security less any prior liens. The total outstanding Agency debt will include any unpaid deferred interest that accrued on the loan to the extent that the debt does not exceed the security's market value.

[7 CFR 765.404(d)] Non-program transferees must make a downpayment to the Agency of not less than 10 percent of the lesser of the market value or unpaid debt.

[7 CFR 765.404(e)] The interest rate will be the Non-program interest rate in effect at the time of loan approval.

See 1-FLP, Exhibit 17 for NP interest rates.

[7 CFR 765.404(f)] (1) For a Non-program loan secured by real estate, the Agency schedules repayment in 25 years or less, based on the applicant's repayment ability.

(2) For a Non-program loan secured by chattel property only, the Agency schedules repayment in five years or less, based on the applicant's repayment ability.

Part 11 Borrowers Entering the Armed Forces**281 General****A Act Impact**

The Servicemembers Civil Relief Act of 2003 and the Ronald W. Reagan National Defense Authorization Act for Fiscal Year (FY) 2005 both affect FSA loan servicing. The Servicemembers Civil Relief Act of 2003 authorization affects FLP borrowers on active duty at all times whereas the requirements of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year (FY) 2005 are only implemented during a time of a war or *--national emergency as declared by the President or Congress. The FLP National Office will notify SED's when we are no longer under a national emergency or at war.

B Active Duty

National Guard members must be on duty at least 30 calendar days to be considered on active duty for protections under both the Servicemembers Civil Relief Act and Ronald W. Reagan National Defense Authorization Act.

Reservists are covered by both the Servicemembers Civil Relief Act and Ronald W. Reagan National Defense Authorization Act from the date orders are received to report for active duty.--*

282 Servicemembers Civil Relief Act of 2003**A Interest Rate**

Subject to paragraph 283, FSA may not charge interest exceeding 6 percent on existing FLP debt if the borrower enters full-time active military duty.

Upon learning that a borrower enters active duty, the authorized agency official shall send Exhibit 52 to the borrower stating that the interest rate on their existing FSA loans will not exceed 6 percent while the borrower is on active military duty. The borrower shall submit written notice and a copy of the military orders calling the service member to military service and any orders further extending military service. The interest rate change will be effective with the date the military service started (as verified in the military orders submitted by the borrower).

If the borrower's interest rate is already lower than the 6 percent rate, the borrower will be notified that FSA will not increase the borrower's interest rate.

--Exhibit 51 may be used as is or a similar notification letter may be used to address the borrower's specific circumstances.--

Adjustments to the interest rate based on military service must be processed by NFAOC, FaSB only; therefore, the authorized agency official should send a memorandum to NFAOC, FaSB that confirms the military service of the borrower and the effective date of that service.

In addition, the authorized agency official shall process applicable changes to MIDAS Business Partner to change the borrower's address to the address at which FSA may contact the borrower while on active military duty or the address of a designated power of attorney.

B Penalty for Violations

Violations of the Servicemembers Civil Relief Act of 2003 are misdemeanors. Knowingly violating the provisions of the Servicemembers Civil Relief Act of 2003 is punishable by fines, imprisonment for not more than 1 year, or both.

282 Servicemembers Civil Relief Act of 2003 (Continued)**J Treasury and Internal Administrative Offsets**

Treasury and internal administrative offsets will be discontinued once a borrower is ordered to report for induction or military service, and any payments received as a result of offset after the date the borrower was called to active duty will be refunded. Treasury offsets shall be suspended by State Offices by deleting affected loans each quarter on the Borrowers Eligible for TOP Offset Certified Screen or the Borrowers Eligible for TOP Offset Screen. Co-borrowers associated with this debt must also be deleted in an effort to reduce hardship on the family. See applicable FI directives for further information. The suspension will begin when the borrower is ordered to report for induction or military service and continues during the period of active duty and 3 months thereafter.

Note: Use delete code “07”, “Borrower was indebted to FSA before entering full time active duty military service and the account is being serviced according to the National Defense Act.”

K Treasury Cross-Servicing

Borrowers and co-borrowers called to active military duty similarly shall not be referred for cross-servicing.

Note: If the borrower has been referred to Treasury for cross-servicing, State Offices must *--FAX FSA-2722's with code “07” in item 14A to NFAOC, FaSB. See 1-FLP, subparagraph 5 B.

L Canceling the 6 Percent Interest Rate

If FSA decreased the borrower's interest rate, as soon as the authorized agency official verifies that a borrower is no longer on active duty, the authorized agency official shall send a letter to NFAOC, FaSB. This letter instructs NFAOC, FaSB to terminate the 6 percent--* interest rate and revert to the rate in existence before the assignment of the 6 percent rate.

283 Ronald W. Reagan National Defense Authorization Act for Fiscal Year (FY) 2005**A Suspension of Interest Accrual and Payments**

During a time of war or national emergency as declared by the President or Congress, the *--FLP payments on existing loans of borrowers on active duty will be suspended and interest will not accrue beginning on October 28, 2004, or the date in which they enter active duty, whichever is later. If any regular payments have been made since the date noted, October 28, 2004, the borrower should be contacted and the payment will be refunded at their request. For **existing** loans; all payments due, as well as the due dates of all payments due during and after such active duty will be suspended or deferred for a period of time--* equal to the time the borrower is on active duty during war or a national emergency.

Example: A borrower with an OL (matures January 15, 2009, annual payment on January 1) and a FO (matures February 15, 2030, annual payment on January 1) enters active duty on October 1, 2006, and is discharged on April 1, 2007 (182 days).

- Interest will not accrue from October 1, 2006, to April 1, 2007.
- The payments on both loans will be due on September 30 each year (April 1, 2007 + 182 days = September 30).

Note: Funds from the sale of basic security must be applied as an extra payment according to subparagraph 63 A.

When information is received by the County Office that a borrower has entered or is entering active duty, the County Office will send:

- the borrower, Exhibit 52 , informing them that for **existing** loans, payments will be *--suspended and interest will not accrue during time of active duty--*
- NFAOC, FaSB a courtesy copy by FAX (1-FLP, subparagraph 5 B).

**283 Ronald W. Reagan National Defense Authorization Act for Fiscal Year (FY) 2005
(Continued)**

B Reinstating Annual Payments and Interest Accrual

*--The payment suspension and interest nonaccrual status will end on the earlier of the date the:

- war or national emergency is over
- borrower is released from active duty.

When information is received that the war or national emergency is over, or the borrower has been released from active duty, the County Office shall:

- send the borrower Exhibit 53, informing them that suspension and nonaccrual status has *--ended, the payment deferral period has started, and the expected due date of the post-deferral payment--*
- send NFAOC, FaSB a courtesy copy by FAX
- attach a copy of Exhibit 53 to the impacted promissory notes.

Note: Pre-military service delinquent payments will also be deferred on Exhibit 53 for a period equal to the length of service. Any delinquency remaining at the end of the deferral period will be serviced under 5-FLP, Part 3.

C PLS and DSA

State Offices shall contact LSPMD for assistance with processing PLS or DSA on a promissory note subject to Exhibit 53.

D Acceleration or Foreclosure

FSA will not accelerate or foreclose on the property of a borrower in the armed forces during the borrower's tenure of service and for the term of their deferral, thereafter.

Notes: If the account has been referred to DOJ, notify DOJ that the borrower is entitled to relief under the Servicemembers Civil Relief Act of 2003 and the Ronald W. Reagan National Defense Authorization Act for Fiscal Year (FY) 2005 (subparagraph 281 A).

Notify DOJ once information is received that the war or national emergency is over, or if the borrower has been released from active duty.

284-290 (Reserved)

Reports, Forms, Abbreviations, and Redelegations of Authority

Reports

None.

Forms

This table lists all forms referenced in this handbook.

Form Number	Title	Display Reference	Paragraph Reference
AD-1026	Highly Erodible Land Conservation and Wetland Conservation Certification		116
CCC-679	Lien Waiver		118
FSA-2001	Request for Direct Loan Assistance		116, 126
FSA-2025	Notification of Approval Terms and Conditions and Borrower Responsibilities		247-249
FSA-2026	Promissory Note		3, 247, Ex. 2, 20
FSA-2028	Security Agreement		Text, Ex. 2, 4
FSA-2029	Mortgage/Deed of Trust		3
FSA-2037	Farm Business Plan – Balance Sheet		116
FSA-2038	Farm Business Plan – Income and Expenses		116
FSA-2040	Agreement for the Use of Proceeds and Security		61, 162, 181, 212
FSA-2044	Assignment of Income		281
FSA-2045	Record of the Disposition of FSA Security/Release of Proceeds		162, 166, 181
FSA-2060	Application for Partial Release, Subordination, or Consent		Text
FSA-2065	Annual Statement of Loan Account		64, Ex. 25.5
FSA-2072	Cancellation of U.S. Treasury Check and/or Obligation		61
FSA-2080	Release From Personal Liability		231, 247, 251

Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

Forms (Continued)

Form Number	Title	Display Reference	Paragraph Reference
FSA-2425	Request to Cancel Undisbursed Loan Funds		61
FSA-2429	Request for Change in Application		61
FSA-2433	Satisfaction of Lien		65, 147
FSA-2445	Control Log PLAS/GLAS Account Corrections		97
FSA-2446	PLAS/GLAS Account Correction		97
FSA-2450	Temporary Amendment of Consent to Payment of Proceeds From Sale of Farm Proceeds		162
FSA-2455	Subordination by the Government		120
FSA-2465	Assignment, Acceptance, and Release (Wool and Mohair)		166
FSA-2470	Partial Release		166, 212, 146, 147
FSA-2476	Transfer of Real Estate Security		247
FSA-2489	Assumption Agreement		247
FSA-2490	Deceased Borrower Report		266
FSA-2495	Application to Move Security Property		291
FSA-2543	Shared Appreciation Agreement		3, 97, 267
FSA-2551	Request for Nonmonetary Default Determination		100, 181
FSA-2585	Acquisition or Abandonment of Secured Property		Ex. 25.5
FSA-2722	Update to TOP and Cross-Servicing Information		282
IRS 1098	Mortgage Interest Statement		Ex. 25.5
IRS 1099-A	Acquisition or Abandonment of Secured Property		Ex. 25.5
IRS 1099-C	Cancellation of Debt		Ex. 25.5
IRS 1099-G	Certain Government Payments		Ex. 25.5
IRS 1099-INT	Interest Income		Ex. 25.5
IRS 1099-MISC	Miscellaneous Income		Ex. 25.5
IRS W-9	Request for Taxpayer Identification Number and Certification		68
UCC1	National Financing Statement		247, 291, Ex. 2
RD-3550-28	Authorization Agreement for Preauthorized Payments		66, 67

Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
AI	account information	65
APCD	type of applicant code	Ex. 25.5
CFS	Central Filing System	102
CL	conservation loan	Text, Ex. 2
CNC	currently not collectible	Ex. 25.5
CONACT	Consolidated Farm and Rural Development Act	1, Ex. 2
GL	guide letter	2
NFAOC,CMCB	National Financial and Accounting Operations Center, Cash Management Collections Branch	66, 67
NFAOC, FaSB	National Financial and Accounting Operations Center, Farm Service Branch	61, 62, 64, 65, 97, 146, 282, 283, Ex. 52, Ex. 53
NFAOC, PRB	National Financial and Accounting Operations Center, Program Reports Branch	Ex. 25.5
NP	nonprogram loan	16, 46, 62, 266, 248
PAD	Preauthorized Debit	66, 67
PF	Payoff Balance	65
PIN	personal ID number	63
PLS	primary loan servicing	61
RC	report code	Text, Ex. 25.5
SAA	Shared Appreciation Agreement	117, Ex. 2
ST	softwood timber loan	16, 196, 246
TDCLCR	Term Debt and Capital Lease Coverage Ratio	32
VRU	Voice Response System	63

Delegations of Authority

SED's may redelegate their authority to approve:

- subordinations or releasing and refiling lien instruments instead of subordination to FLC, FLS, or DD
- surface leases for farm property no longer in use (such as old barns) or for nonfarm purposes (such as wind turbines, communication towers, or other similar installations) to FLC, FLS, or DD
- severance agreement to FLC, FLS, or DD
- transfer and assumption to FLC, FLS, or DD.

Definitions of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)

Normal Income Security

Normal income security is all security not considered basic security, including crops, livestock, poultry products, other property covered by Agency liens that is sold in conjunction with the operation of a farm or other business, and FSA Farm Program payments.

Normal income security does not include any equipment (including fixtures in States that have adopted UCC) or foundation herd or flock that is the basis of the farming operation and is the basic security for an FSA loan.

Note

A note is written evidence of indebtedness, such as a bond or FSA-2026.

Operator

Operator is the individual or entity that provides the labor, management, and capital to operate the farm. The operator can be either an owner-operator or tenant-operator. Under applicable State law, an entity may have to receive authorization from the State in which the farm is located to be the owner and/or operator of the farm. Operating-only entities may be considered owner-operators when the individuals who own the farm real estate own at least 50 percent of the family farm operation.

Note: Operators include borrowers who obtained individual loans and later formed an operating entity with a relative. If the member with the individual loan owns at least 50 percent of *--the operating entity, the individual meets the definition of operator for loan servicing purposes.--*

Example: An individual obtains an FO and later forms an operating-only entity with a relative and obtains an OL for the same operation. The individual then needs servicing for the individual FO. In these cases, if the individual owns at least 50 percent of the operating entity, the definition of operation is met.

Borrowers who obtained individual loans and later formed an operating-only entity with a non-relative must have the entity assume the debt to be eligible for loan servicing, as provided in 4-FLP, subparagraph 248 C. However, transfer of the collateral to the entity is not required.

In either of these circumstances the operating entity must have their own unique tax ID number.

Definitions of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)

Partnership

Partnership is any entity consisting of two or more individuals who have agreed to operate a farm as one business unit. The entity must be recognized as a partnership by the laws of the State in which the partnership will operate a farm. It also must be authorized to own both real and personal property and to incur debt in its own name.

Primary Loan Servicing Programs

Primary loan servicing programs include:

- loan consolidation and rescheduling, or reamortization;
- interest rate reduction, including use of the limited resource rate program;
- deferral;
- write-down of the principal or accumulated interest; or
- any combination of the above.

Prior Lien * * *

A **prior lien** is a lien that is recorded in front of, or is otherwise superior to, an FSA lien on the same security. The individual or entity that has filed this lien is the prior lienholder.

Prospectus

Prospectus consists of a transmittal letter, a current balance sheet, and projected year's budget which is sent to commercial lenders to determine their interest in financing or refinancing specific FSA direct loan applicants and borrowers.

Protective Advance

A **protective advance** is an advance made by the Agency or a lender to protect or preserve the collateral itself from loss or deterioration. A protective advance may be used for purposes, including but not limited to the following:

- delinquent taxes
- annual assessments
- ground rents
- hazard or flood insurance premiums against or affecting the collateral
- harvesting costs
- other expenses needed for emergency measures to protect the collateral.

Denial of Non-Program Assistance

If an application for non-program assistance cannot be approved, it will be denied with this exhibit.

Note: Exhibit 35 is available in a fillable format. Go to <https://inside.fsa.usda.gov/>. CLICK “Employee Forms” at the top of the page and CLICK “Find Current Forms Using Our *--Form Number Search”. For “Form Number”, ENTER “4-FLP Exhibit 35”.

4-FLP, Exhibit 35

(Use Agency Letterhead format with local return address.)

DENIAL OF NON-PROGRAM ASSISTANCE

Dear:

After careful consideration we were unable to take favorable action on your application/request for Farm Service Agency (FSA) services for the following reasons:

[Enter specific reasons for the adverse action]

If you think FSA is in error, you may submit evidence within 15-calendar days to the undersigned documenting why FSA's decision is in error. Your request will be forwarded to the next level supervisor within FSA for consideration. This review will be based solely upon the record including your case file. Applicable statutes and regulations and the documentation you submit to support your position will be considered by the next level supervisor.

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, handicap, or 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 the law concerning this creditor is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

Sincerely,

[Authorized Agency Official's Title]

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 the applicant has the capacity to enter 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.

The U.S. Department of Agriculture (USDA) prohibits discrimination against its customers, employees, and applicants for employment on the bases of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation, or all or part of an individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.)

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or e-mail at program.intake@usda.gov.

Individuals who are deaf, hard of hearing, or have speech disabilities and wish to file either an EEO or program complaint, please contact USDA through the Federal Relay Service at (800) 877-8339 or (800) 845-6136 (in Spanish). Persons with disabilities, who wish to file a program complaint, please see information above on how to contact us by mail directly or by email. If you require alternative means of communication for program information (e.g., Braille, large print, audiotope, etc.) please contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

--*

***--Service Members Civil Relief**

When information is received that a borrower has entered active duty, or is scheduled to enter active duty, the County Office shall send:

- the borrower information required in paragraph 282
- NFAOC, FaSB a courtesy copy by FAX (1-FLP, subparagraph 5 B).

The County Office may use this exhibit without change, or draft a similar letter to address the borrower's specific circumstances.

Note: Exhibit 51 is available in a fillable format. Go to <https://inside.fsa.usda.gov/>. CLICK **"Employee Forms"** at the top of the page and CLICK **"Find Current Forms Using Our Form Number Search"**. For "Form Number", ENTER **"4-FLP Exhibit 51"**.

4-FLP, Exhibit 51

(Use Agency Letterhead format with local return address.)

SERVICE MEMBERS CIVIL RELIEF

Dear:

It has come to the attention of FSA that you may have entered active military duty, or may be entering active military duty in the near future.

If so, there are certain benefits you may be able to receive pursuant to the Servicemembers Civil Relief Act of 2003. These benefits may include a reduced interest rate if your current rate is above 6%; and if your account is delinquent, suspension/termination of collection through the Treasury Offset Program and cross-servicing program.

Please provide a copy of your military orders so FSA may provide all applicable benefits to you as quickly as possible.

If you are currently on active military duty and there is a pending FSA foreclosure sale scheduled for the property pledged as collateral for your FSA farm loans, please respond to this letter immediately via phone, or e-mail, or letter, so that the sale can be suspended.

If FSA does not receive a copy of your military orders to verify active duty status within 30 days of this letter, FSA will have no choice but to continue to service your account as if you are not on active military duty and FSA will not be able to provide any Servicemembers Civil Relief benefits until the required documentation is received.

If you have a military power of attorney already prepared and executed pursuant to 10 U.S.C. 100b, and would like FSA to work with that person, please provide a copy of that document. Please note that FSA is unable to prepare or help you prepare a power of attorney. We would encourage you to work with your attorney, military recruiter, or military chain of command for assistance with a power of attorney.

In addition, if you are on active duty during a time period that is declared by the President or Congress to be a war or national emergency, there are additional benefits you may be able to receive pursuant to the Ronald W. Reagan National Defense Authorization Act for Fiscal Year (FY) 2005. You will receive separate notification concerning these benefits if they apply to you.

Please do not hesitate to contact this office if any further information is required.

--*

Borrowers Entering Active Duty

When information is received by the County Office that a borrower has entered or is entering active duty, the County Office shall send:

- the borrower the following, informing them that payments will be suspended and interest will not accrue during time of active duty
- *--NFAOC, FaSB a courtesy copy by FAX (1-FLP, subparagraph 5 B).--*

Note: This exhibit may only be revised by SED.

Borrowers Entering Active Duty (Continued)

Note: Exhibit 52 is available in a fillable format. Go to <https://inside.fsa.usda.gov/>. CLICK “Employee Forms” at the top of the page and CLICK “Find Current Forms Using Our Form Number Search”. For “Form Number”, ENTER “4-FLP Exhibit 52”.

*--

4-FLP, Exhibit 52

(Use Agency Letterhead format with local return address.)

BORROWERS ENTERING ACTIVE DUTY

Dear:

On October 28, 2004, the President signed into law the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (the Act). As per the Act, while you are on active duty, interest will not accrue and annual payments will not be required (will be suspended) on your existing Farm Service Agency (FSA) Farm Loan Program (FLP) loans while the United States is at war or during a national emergency as declared by the President or Congress. Payments due during or after active duty will be suspended or deferred for the length of time you are on active duty. New loans are not covered by the Act.

The beginning date of the suspension and non-accrual status is _____. The suspension and non-accrual status will end on the earlier of when your active duty ends or the war or national emergency is concluded.

FSA is committed to providing service to assist our borrowers who are impacted by military deployment. Please continue to keep this office apprised of your current duty status so your account can be updated in a timely manner once you are relieved from active duty (with a copy of your release orders) or the national emergency has ended.

Please do not hesitate to contact this office if any further information is required.

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW

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Borrowers Leaving Active Duty

When information is received that the war or national emergency is over, or the borrower has been released from active duty, the County Office shall send:

- the borrower the following, informing them that suspension and nonaccrual status has ended
- NFAOC, FaSB a courtesy copy by FAX (1-FLP, subparagraph 5 B).

Note: This exhibit may only be revised by SED.

Borrowers Leaving Active Duty (Continued)

Note: Exhibit 53 is available in a fillable format. Go to <http://inside.fsa.usda.gov/>. CLICK “Employee Forms” at the top of the page and CLICK “Find Current Forms Using Our Form Number Search”. For “Form Number”, ENTER “4-FLP Exhibit 53”.

*--

4-FLP, Exhibit 53

(Use Agency Letterhead format with local return address.)

BORROWERS LEAVING ACTIVE DUTY

Dear:

On October 28, 2004, the President signed into law the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (the Act). As per this Act, interest did not accrue and annual payments were suspended on your existing Farm Service Agency (FSA) Farm Loan Program (FLP) loans when the United States was at war or during a national emergency and you were on active duty. As we understand these conditions no longer exist, interest is now accruing on all your FLP loans. Your payments will be deferred for a period of time equal to the time of your active duty. This period of time has, therefore, been added to the term of your FLP loans impacted by the Act.

NOTE: Loans made after you went on active duty are not subject to the Act.

The beginning date of the suspension and non-accrual status was _____. The ending date of the suspension and non-accrual status was _____. The time period for your active duty was _____; therefore your post deployment deferral period ends _____.

Estimated daily interest accrual on loans with post deployment deferral are set forth below:

Loan Number	Principal Balance	Interest Rate	Daily Interest Accrual
-------------	-------------------	---------------	------------------------

Your total daily interest accrual is \$ _____. If annual payments are not made during the post deployment deferral period, your total estimated interest accrual will be \$ _____. Voluntary payments during the deferral period will reduce the overall amount of interest accrual because payments are applied to accrued interest first, then to principal.

Please do not hesitate to contact this office if any further information is required.

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

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