

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
P.O. Box 2415
Washington, DC 20013-2415

Notice FC-49

For: State and County Offices

Estimated Loss Claims

Approved by: Acting Deputy Administrator, Farm Credit Programs



1 Overview

A Background

Farm Credit Programs guaranteed loan file reviews and an OIG audit identified loss claims where FSA reimbursed the lender for interest losses incurred because of the lender's failure to liquidate in a timely manner.

B Purpose

This notice reminds Ag Credit officials that, according to FmHA Instruction 1980-B, Section 1980.146(d)(1)(v), lenders with guaranteed loans in default will submit an estimated loss claim if the lender expects the liquidation period to exceed 90 calendar days.

C National Office Contact

Direct questions regarding this notice to LSD, Guaranteed Loan Servicing Branch through the Area Office.

2 Action

A Stopping Interest Accrual

FSA will deny interest accrual to lenders who have not expeditiously proceeded with the liquidation plan approved by the Agency.

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<p>Disposal Date</p> <p>May 1, 1997</p>	<p>Distribution</p> <p>State Offices; State Offices relay to County Offices and Ag Credit Teams</p>
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2 Action (Continued)

B

**Estimated Loss
Claim When
Lender's
Agreement Was
Issued After
January 13, 1989**

- Lender's Agreements issued **after** January 13, 1989, **require** the lender to submit an estimated loss claim if the liquidation period is expected to exceed 90 calendar days and the lender owns any of the guaranteed portion of the loan.
- Upon notification that liquidation is pending, the Ag Credit Manager (ACM) must remind the lender to address this requirement in the liquidation plan as required by FmHA Instruction 1980-B, Section 1980.146(d)(1)(v).
 - As set forth in the Lender's Agreement, and according to FmHA Instruction 1980-B, Section 1980.146(e)(i), the lender will discontinue interest accrual on the defaulted loan at the time the estimated loss claim is approved by the Agency.
 - FSA will not reimburse the lender for interest losses that accrue after the estimated loss claim is approved.
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C

**Estimated Loss
Claim When
Lender's
Agreement Was
Issued Before
January 13, 1989**

- Lender's Agreements issued **before** January 13, 1989, stated that the lender could submit an estimated loss claim, but did not require it. These agreements do require lenders to comply with future revisions to Agency regulations that are not inconsistent with the Lender's Agreement.
- Upon notification that liquidation is pending, ACM should request the lender to provide an estimate of time necessary to complete liquidation as required by FmHA Instruction 1980-B, Section 1980.146(d)(1)(v).
 - If liquidation is expected to exceed 90 calendar days, ACM should encourage a lender who owns any of the guaranteed portion of the loan to submit an estimated loss claim.
 - FSA will cover interest losses that occur after the payment of the estimated loss claim provided the lender proceeds with liquidation in a timely manner.
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