



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2078 (1955)

April 16, 1990

SUBJECT: Deficiency Judgments on Insured Loans

TO: State Directors, District Directors,
and County Supervisors

PURPOSE/INTENDED OUTCOME: To emphasize Farmers Home Administration's (FmHA) policy for obtaining deficiency judgments on insured loans.

COMPARISON WITH PREVIOUS AN: None

IMPLEMENTATION RESPONSIBILITIES: A decision must be made as to whether to seek a deficiency judgment when (1) a borrower voluntarily liquidates the security property, but the sale fails to pay the debt in full; (2) the security property is voluntarily conveyed to FmHA, but the borrower is not released from liability; or (3) a loan is being referred to the Office of General Counsel (OGC) for forced liquidation. Authority to seek a judgment is provided in FmHA Instruction 1955-A, paragraph 1955.15(b)(2), for foreclosure action and FmHA Instruction 1962-A, paragraph 1962.49, for other actions.

Judgments may be taken against the borrower, a co-borrower or a co-signer. In States where nonjudicial foreclosure is the normal method of foreclosure, State law may require the foreclosure to become a judicial process in order to obtain a deficiency judgment.

It is the policy of FmHA to seek a judgment when there is a reasonable chance of future collection from the judgment of all or part of the debt. This decision will be based on a thorough evaluation of the borrower's present and future financial condition. Items to be considered are:

1. Availability of other assets, especially real estate, which is not security for the FmHA debt;
2. Age and health of the debtor;
3. Future earning capacity as indicated by the debtor's education and training;
4. Inheritance prospects;
5. The possibility of concealed or improperly transferred assets; and

EXPIRATION DATE: March 31, 1991

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1955-A



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

6. In nonjudicial States, the additional costs, including accrued interest and property maintenance, which may be incurred if judicial foreclosure is required.

Deficiency judgments are collected by the Department of Justice (DOJ) rather than FmHA employees. Any debt settlement offers for judgment debts must be made to DOJ rather than to FmHA.



LA VERNE AUSMAN
Administrator

Sent by Time Delay Option to States at 9:00am on 4/19; to Districts at 11:00am on 4/19; and to Counties at 1:00pm on 4/19 by ASD.