

**UNITED STATES DEPARTMENT OF AGRICULTURE**

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

**Notice FC-28**

1951-S

**For:** State and County Offices

**1951-S Loan Servicing Packages**

**Approved by:** Deputy Administrator, Farm Credit Programs

*Suzanne Kling*

**1 Overview**

**A  
Background**

The February 540 Report was recently issued that will require 1951-S loan servicing packages to be mailed to borrowers who are delinquent on their farm credit loans. Ag Credit Teams are to send packages to borrowers within 15 calendar days of receiving the 540 Report, as required in FmHA Instruction 1951-S, section 1951.907.

**B  
Purpose**

This notice provides instructions for:

- sending separate 1951-S loan servicing packages to borrowers
- notifying cosigners
- notifying Rural Housing Service (RHS)
- ordering and preparing loan servicing packages.

**C  
Contact**

Contact Kim Laris, LSPMD, through the Area Office.

<b>Disposal Date</b>	<b>Distribution</b>
April 1, 1997	State Offices; State Offices relay to County Offices and Ag Credit Teams

## 2 Action

### A Who Is Sent or Provided 1951-S Loan Servicing Packages

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When borrowers are sent or provided 1951-S loan servicing packages, all borrowers who signed the promissory note or assumption agreement must be notified. The type of notices sent will depend on the borrower's request or default.

**Note:** A borrower is an individual or entity which has or is presently operating the farm and is liable for the debt made under the direct loan program. Does not include nonprogram borrowers.

1951-S loan servicing packages that are mailed will be sent certified mail to the borrower's last known address. If the certified mail package is returned with a forwarding address, the package is sent certified mail to the new address. If the package is returned without a forwarding address, or not accepted, the contents of the certified mail package are sent by priority mail to the borrower's last known address.

- Husband and wife living in the same household who are being notified for the same reason will only be sent 1 loan servicing package, but addressed to both parties.
- Husband and wife living in separate households because of separation or divorce will be sent separate loan servicing packages.
- If the borrower is an entity, such as partnerships, corporations, and joint operations, the entity and all borrowers in the entity will be sent separate loan servicing packages.
- Cosigners will be sent Exhibit 1 along with FmHA Instruction 1951-S, Exhibit A, Attachment 1 (only for delinquent and nonmonetary default). A cosigner is not the same as a coborrower. Cosigners can be identified on the promissory note because "cosigner" should be typed following the cosigner's name. Coborrower was a term used several years ago to distinguish between the primary borrower and all other parties receiving the loan. Today, coborrowers are just considered borrowers.
- Guarantors will be sent Exhibit 1 along with FmHA Instruction 1951-S, Exhibit A, Attachment 1 (only for delinquent and nonmonetary default). A guarantor is one who provides security to FSA for the borrower to obtain a loan. The same individual may also be a cosigner, but normally guarantors have only signed the security instruments to mortgage the property.

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**2 Action (Continued)**

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**A  
Who Is Sent or  
Provided 1951-S  
Loan Servicing  
Packages  
(Continued)**

All correspondence sent after the initial notice package will be mailed in care of the primary borrower. Copies will be sent to all other borrowers and cosigners involved. Acceleration notices, however, will be sent to each borrower, cosigner, or guarantor according to FmHA Instruction 1955-A, section 1955.15(d)(2).

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**B  
Notifying RHS**

Borrowers who have both RH and FCP loans described on the same mortgage will continue to be serviced according to FmHA Instruction 1965-A, section 1965.26(c). Therefore, Ag Credit Teams must notify RHS in writing when delinquent or nonmonetary default borrowers are sent notices. RHS will then proceed to send the applicable RH notices to consider moratorium and payment assistance.

Ag Credit Teams must keep RHS informed of the status of these borrowers. RHS must still accelerate the account at the same time FSA sends the notice of intent to accelerate to the borrower.

Further guidance on handling borrowers with RH and FCP loans will be forthcoming.

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**C  
Response to  
1951-S Notice  
Package**

All borrowers must execute FmHA Instruction 1951-S, Exhibit A, Attachment 2 or 4 as part of a complete application.

- If a divorced spouse does not wish to apply for servicing, and he or she requests a release of liability, the request for release of liability must be received by the agency on or before the 60-calendar-day timeframe to apply for servicing expires. If the request is not received within 60 calendar days, the other party does not have a complete application and must be sent FmHA Instruction 1951-S, Exhibit A, Attachments 9A and 10A. If the release of liability information is received after the 60-calendar-day timeframe, request SED exception to accept the complete application.
  - Cosigners and guarantors do not have to execute Attachment 2 or 4, but they must sign any new promissory notes or security instruments associated with the servicing granted. Cosigners must submit a financial statement completed within the past 90 calendar days to be included in the borrower's complete application.
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2 Action (Continued)

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**D**  
**1951-S Loan**  
**Servicing**  
**Packages**

Ag Credit Teams should contact their State Office to order 1951-S loan servicing packages, stock number 436, revision 9-93. Packages before this revision date must not be used. FmHA Instruction 1951-S, Exhibit A, Attachment 1, stock number 408 must also be ordered to replace the Attachment 1 in the package (stock number 408 contains 25 Attachment 1's). State Offices must order stock items through the Kansas City warehouse.

In addition to replacing Attachment 1, the following forms in the application package must also be replaced with the most current revision:

- FmHA 431-2
- FmHA 1910-5
- FmHA 1956-1.

Also, as a reminder, include in the package:

- FmHA Instruction 1951-S, Exhibit A, Attachment 2; FmHA Instruction 1951-S, Exhibit A, Attachments 3 and 4; or FmHA Instruction 1962-A, Exhibit D or D-1, as applicable (for delinquency and nonmonetary default)
  - FmHA Instruction 1951-S, Exhibit A, Attachment 2 if a financially distressed current borrower
  - FmHA 1924-27 if not already waived or training is in process or completed
  - list of commodity prices.
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**Notification to Cosigners and Guarantors of Borrower Default**

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&lt;Name&gt;

&lt;Name and/or address&gt;

&lt;Address&gt;

&lt;Address&gt;

Dear &lt;Name&gt;:

This is to inform you that , <borrower's name> <has/have> defaulted on the Farm Service Agency (FSA) loan that you cosigned for, or guaranteed by providing a security interest in your real estate or chattel property so that \_\_\_\_\_ could receive a loan from FSA. As a cosigner or guarantor, you are liable to comply with the terms of the note or security instrument in the event of default. The reason for the default is:

(State the reason for the default and any amounts due to cure the default.)

The borrower was sent a loan servicing package on \_\_\_\_\_ describing FSA's loan servicing programs. See attached for information about FSA's loan servicing programs. The borrower has 60 calendar days from the date the package is received to apply for these programs. If the borrower wishes to apply for servicing, you may be contacted to submit a current financial statement which has been completed within the past 90 calendar days. If the borrower does not apply, or is determined not eligible, FSA will begin acceleration and liquidation proceedings.

If the account is accelerated, the entire FSA debt becomes due and payable within 30 calendar days from the date of acceleration. If the debt is not paid in full within the 30-calendar-day timeframe, FSA may take the following steps to collect on the debt, some of which may affect you:

- (A) Repossess and sell all equipment, livestock, livestock products, and other personal property used to secure the FSA loan.
- (B) Foreclose and sell the real estate mortgaged to FSA.
- (C) Stop all releases and collect all proceeds from the sale of crops, livestock, livestock products, or other security property.
- (D) Take by administrative offset any money owed by Federal agencies to the borrower, you, and other individuals liable for the debt.
- (E) File lawsuits against those liable for the debt to collect money owed to FSA.

If you have any questions, please feel free to contact this office. We suggest you keep in contact with the borrower on the status of the default.

Sincerely,

Ag Credit Manager

Attachment:

Attachment 1 to Exhibit A

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