



October 11, 1984

■ SUBJECT: Servicing Insured and Guaranteed EE Loans -

TO: All State Directors, Farmer Program Chiefs,
District Directors, County Supervisors
and Director, National Finance Office

This AN replaces AN 958 (465), issued January 13, 1984, which expired on September 30, 1984.

Effective October 1, 1984, EE loan transfers and assumptions are no longer authorized at eligible rates and terms. Insured EE loans MAY BE transferred and assumed at ineligible rates and terms as outlined in FmHA Instructions 1962-A, Section 1962.34 (b), and 465.1, paragraph XVIII D. Guaranteed EE loans CANNOT be transferred and assumed at eligible or ineligible rates and terms after September 30, 1984.

FmHA Instructions 1962-A, 1951-A, and 465.1 governing insured loans and FmHA Instructions 1980-A and 1980-F governing guaranteed loans give appropriate FmHA personnel the authority to execute and/or carry out most of the actions that are required to adequately service EE loans. This AN sets forth those actions which are NOT authorized under the present regulations and require National Office review.

OPERATING PURPOSE:

FmHA Instruction 1962-A delegates the necessary authority to service insured EE loans, which are secured by chattels. This Instruction does not specify particular loan types. Instead, it refers to general servicing, care, and liquidation of FmHA chattel security. Therefore, all authorities and procedures outlined within FmHA Instruction 1962-A can be applied to the servicing of insured EE loans.

As indicated above, insured EE loans secured by chattel property can only be transferred and assumed on ineligible rates and terms in accordance with section 1962.34 (b). Section 1962.34 (b)(3)(i), which refers to interest rates charged on transfers to ineligible applicants, does not cover EE type loans. The current EE loan interest rate in effect at the time of approval of the transfer will be the interest rate charged to the ineligible transferee. For this reason, FmHA Instruction 440.1, Exhibit B, will continue to carry current EE interest rates.

REAL ESTATE PURPOSE:

FmHA Instruction 465.1 specifies particular loan types in certain paragraphs. Even though insured EE loans are not specifically mentioned in these paragraphs, they can be serviced under these paragraphs as outlined below.

EXPIRATION DATE: December 31, 1984

FILING INSTRUCTIONS:

Preceding FmHA Instruction 465.1



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Paragraphs III D 2 a and b do NOT authorize approval of a subordination on real estate securing an insured EE loan for the purpose of increasing the amount of a prior lien or permitting a new prior lien. In cases of this nature, the requested subordination must be forwarded to the National Office for review and authorization. However, paragraph III D 2 b DOES authorize the subordination of an EE loan for the purpose of increasing the amount of a prior lien or permitting a new prior lien, if the borrower requesting the subordination is also an indebted FO borrower. Such a subordination of the FO and the insured EE liens may be approved for any purpose for which an FO loan can be made.

If the purpose of the subordination request does not comply with paragraph III D 1, or if the subordination request does not involve an indebted FO borrower, then National Office authorization must be obtained before the request can be approved. The State Director must include the determinations listed in paragraph XXIV in any submission of this nature to the National Office. In these cases, authorization will be given for any purpose for which an EE loan could have been made and/or for development or enlargement purposes which do not include land purchase, if necessary to carry out the objectives of the insured EE loan.

Paragraph XVI A authorizes the State Director to approve releases of real estate taken as additional security. This paragraph, in the case of insured EE loans made for operating purposes, which are secured by crops, chattels, livestock, and real estate, permits the release of the real estate lien only when the real estate was taken as additional security. It must be determined that the remaining security will be adequate to secure the insured EE loan balance(s), and that the other provisions of paragraph XVI A are met.

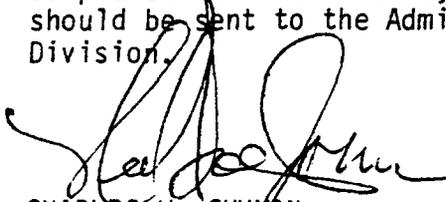
All insured EE loan transfers and assumptions must be processed at ineligible rates and terms as outlined in paragraph XVIII D. State Directors have authority to approve transfers and assumptions of insured EE loans to INELIGIBLE transferees regardless of the amount of outstanding debts.

Paragraph XVIII G 1 applies to insured EE loan funds and security in the same manner as it refers to those types of loans NOT specifically listed therein. EE loans fall into the category of "all other kinds of loans being transferred" in paragraph XVIII G 8, so title clearance and loan closing services are not required when they are transferred. However, paragraph XVIII G 8 DOES allow the approval official to require these services if he or she determines, with OGC's advice, that they are needed to maintain FmHA's security position or for other reasons.

The authority to approve all other servicing actions prescribed in FmHA Instruction 465.1 is delegated appropriately to County Supervisors, District Directors, and State Directors who are required to execute and/or carry out the prescribed servicing actions. Those transactions which must be submitted to the National Office should contain a cover letter explaining the situation and describing the servicing action

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being requested, including the State Director's recommendations, completed FmHA Form 465-1, and any other required forms. All case files should be sent to the Administrator, Attention: Director, Emergency Division.



102 CHARLES W. SHUMAN
Administrator

To be sent by electronic mail dated October 11, 1984, at 12:24 pm by DASD/IMP. The State Director should advise other personnel as appropriate.