UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

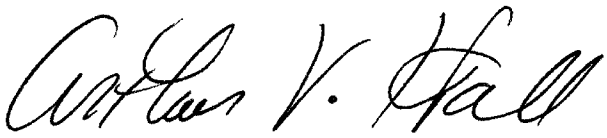
Notice FLP-128

1951-S

For: State and County Offices

Notification to Borrowers, Cosigners, and Guarantors

Approved by: Acting Deputy Administrator, Farm Loan Programs



1 Overview

A Background

As required by FmHA Instruction 1951-S, section 1951.907, borrowers 90 calendar days past due should receive 1951-S loan servicing packages:

- within 15 calendar days from the date the Finance Office Monthly Status Report of FLP Borrowers is received
- if nonmonetary, within 15 calendar days from the date the Agency determines the borrower is in nonmonetary default.

B Purpose

This notice provides instructions for:

- sending separate 1951-S loan servicing packages to borrowers
- notifying cosigners and guarantors
- notifying RHS.

C Contact

If there are questions about this notice:

- County Offices shall contact State Offices
- State Offices shall contact Shelley Davis, LSPMD at 202-720-0078.

Disposal Date	Distribution
July 1, 2001	State Offices; State Offices relay to County Offices

2 County Office Action

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

When borrowers are sent or provided 1951-S loan servicing packages, County Offices shall notify all borrowers who signed the promissory note or assumption agreement. The type of notice to be sent will depend on the borrower's request or default.

Definition: A borrower is an individual or entity who is liable for the debt made under the direct loan program.

Note: This definition does **not** include nonprogram borrowers.

B Mailing 1951-S Loan Servicing Packages

When mailing 1951-S loan servicing packages to borrowers, County Offices shall:

- use certified mail to the borrower's last known address
- follow these guidelines.

IF...	THEN County Offices shall send...
the certified mail package is returned with a forwarding address or not accepted	the package by certified mail to the new address.
the package is returned without a forwarding address or not accepted	the package by priority mail to the borrower's last known address.
the husband and wife are living in separate households because of separation or divorce	separate loan servicing packages to each spouse.
the borrower is an entity, such as a partnership, corporation, or joint operation	the entity and all borrowers in the entity separate loan servicing packages.
the loan has a cosigner **Note:** A cosigner is not the same as a co-borrower. Cosigners can be identified on the promissory note, because "cosigner" should be typed following the cosigner's name.	the cosigner Exhibit 1 of this notice and FmHA Instruction 1951-S, Exhibit A, Attachment 1. **Note:** This is only for a 90-calendar-day past due and nonmonetary default.
the loan has a guarantor **Definition:** 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.	the guarantor Exhibit 1 of this notice and FmHA Instruction 1951-S, Exhibit A, Attachment 1. **Note:** This is only for 90-calendar-day past due and nonmonetary default.

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2 County Office Action (Continued)

B
Mailing 1951-S Servicing Packages (Continued)

After the initial notice package, County Offices shall:

- mail **all correspondence** in care of the primary borrower
- send copies to all other borrowers and cosigners involved.

See Exhibit 1 for the cover letter to cosigners and guarantors. Acceleration notices, however, will be sent to each borrower, cosigner, or guarantor according to FmHA Instruction 1955-A, section 1955.15(d)(2).

C
Notifying RHS

Borrowers who have RH **and** FLP loans that are described on the same security instruments will continue to be serviced according to FmHA Instruction 1965-A, section 1965.26(c)(2) or (3).

- The FSA servicing official shall notify RHS in writing when delinquent or nonmonetary default borrowers are sent notices.

- After receiving the FSA notification, RHS will may send the applicable RH notices to consider moratorium and payment assistance.

The servicing official must keep RHS informed of the status of these borrowers. RHS will accelerate the RHS account when notified by FSA that the borrower was notified of FSA's intent to accelerate.

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2 County Office Action (Continued)

D
Responding to 1951-S Notice

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

The following applies to divorced spouses.

IF...	THEN...
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 to servicing expires.
an Attachment 2, Attachment 4, and/or a request for release from liability (from the departing spouse) request is not received within 60 calendar days **Note:** For an application to be complete, FSA must have **a response from both** parties whether such response is Attachment 2, Attachment 4, or a request for release from liability.	• the other person does not have a complete application • County Offices shall mail FmHA Instruction 1951-S, Exhibit A, Attachments 9-A and 10-A, to the borrowers.
release of liability information is received after the 60-calendar-day timeframe	the County Office may request an SED exception to accept and process the otherwise 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.

Notification to Cosigners and Guarantors of Borrower Default

[Borrower's name and address]

Dear [Name]:

This is to inform you that [borrower's name] [has/have] defaulted on the Farm Service Agency (FSA) loan that you cosigned, or guaranteed by providing a security interest in your real estate or chattel property so that [borrower's name] 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 default is:

[State the reason for the default and amount needed to clear the default.]

The borrower was sent a loan servicing package on [date] describing FSA's loan servicing programs. See the attached document 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 applies for servicing, you may be contacted to submit a current financial statement. (A current financial statement is no more than 90 calendar days old.) If the borrower does not apply, or is determined ineligible, 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, (this does not apply if you are only a guarantor), and other individuals liable for the debt.

(E) File lawsuits against those liable for the debt to collect money owed to FSA.

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

Sincerely,

Farm Loan Manager

Attachment:
Attachment 1 to Exhibit A