

**UNITED STATES DEPARTMENT OF AGRICULTURE**

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

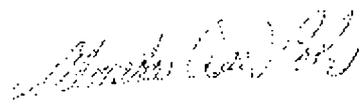
**Notice FC-75**

1951-S

**For:** State and County Offices

**Servicing Tools Available to Assist Financially Distressed Farm Credit Borrowers**

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



**I Overview**

**A Background**

Loan servicing is available for farm credit programs borrowers who are current on their loan payments, but are facing financial difficulties which will prevent them from making their next payment or developing a feasible farm and home plan for the next farming or ranching cycle.

**B Purpose**

This notice:

- provides guidance to Field Offices for servicing accounts to avoid delinquencies
- advises Field Offices of the servicing tools which may be used to assist eligible farm credit programs borrowers who are financially distressed, but not yet delinquent on their loans.

**Note:** Borrowers do not have to be delinquent on their loan payments to receive some of the servicing actions available.

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| <p><b>Disposal Date</b></p> <p>June 1, 1997</p> | <p><b>Distribution</b></p> <p>State Offices; State Offices relay to County Offices</p> |
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Notice FC-75

2 Advising Borrowers

A

**Assistance for Borrowers Not Yet Delinquent**

Financially distressed farm credit borrowers who are not yet delinquent should be advised that FSA can provide servicing on their loans if they apply and qualify for this assistance. See FmHA Instruction 1951-S for further guidance. The available servicing tools under FmHA Instruction 1951-S include the following.

| Servicing Tool          | Description   |
|-------------------------|---|
| Consolidation           | <p>Two or more of the same type of loan may be combined into 1 larger loan.</p> <p><b>Example:</b> Operating loans may be combined with other operating loans, but not with another type of loan such as farm ownership or soil and water.</p>  |
| Rescheduling            | <p>The payment schedule can be adjusted to allow a longer repayment period for loans secured by equipment, livestock, or crops.</p>   |
| Reamortization          | <p>The payment schedule can be adjusted to allow a longer repayment period for loans secured by real estate.</p>  |
| Interest Rate Reduction | <p>Based on individual circumstances, borrowers may qualify for the limited resource interest rate on their operating loans, soil and water loans, and farm ownership loans.</p> <p>When loans are rescheduled, or reamortized, the interest rate on the new loan will be either the same as on the original loan note, or the current regular rate of interest for that type of loan, whichever is less.</p>   |
| Loan Deferral           | <p>Payments of principal and interest may be delayed for up to 5 years. However, loan deferral may only be considered if consolidation, rescheduling, reamortization, and interest rate reduction will not result in a feasible plan.</p>   |
| Softwood Timber Program | <p>Payments of principal and interest generally may be delayed for up to 45 years or until the timber crop produces revenue, whichever comes first, to enable FSA farm borrower to develop a feasible farm plan.</p> <p>A minimum of 50 acres of marginal land that has been used to produce agricultural commodities within the last 5 years must be determined suitable for the production of softwood timber by NRCS.</p> <p>A debt of not more than \$1,000 per acre of softwood timber can be deferred. Interest is charged on the total debt during the deferral period and the proceeds from all timber sales must be paid on the debt. See Exhibit G to FmHA Instruction 1951-S for further guidance.</p> |

Continued on the next page

**2 Advising Borrowers (Continued)**

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**B  
Assistance for  
Borrowers  
Whose Debt  
Cannot Be  
Restructured**

If a borrower's debt cannot be restructured with the servicing tools described in subparagraph A, the borrower should be advised of appeal rights. Once a borrower becomes delinquent, the borrower will be sent new notices as provided in FmHA Instruction 1951-S, Section 1951.907. Additional servicing options such as buyout and debt writedown are then available.

Borrowers who are not delinquent cannot buyout or receive a writedown of their debt.

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**3 Additional Programs**

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**A  
Conservation  
Contract  
Program**

Farm credit programs borrowers may participate in the Conservation Contract Program by entering into a contract to protect highly-erodible land, wetlands, or wildlife habitat located on the property pledged as security for the debt. In turn, the farm debt may be reduced. The amount of land remaining after the contract must be enough to continue with the farming operation.

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**B  
Disaster  
Set-Aside  
Program**

Farm credit programs borrowers, who operated a farm or ranch in a designated disaster area according to FmHA Instruction 1945-A, or in a county contiguous to such an area, may also be eligible for the Disaster Set-Aside Program under FmHA Instruction 1951-T. Borrowers who are current, or less than 1 installment behind on any and all loans, may be allowed to move 1 scheduled annual installment for each eligible loan note to the end of the loan term.

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