



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1060 (1951)

August 13, 1984

SUBJECT: Consolidation, Rescheduling, and Reamortization
of Farmer Program Loans

TO: All State Directors, Farmer Programs Chiefs,
District Directors and County Supervisors

The Office of Inspector General (OIG) recently completed a review of Farmer Program loans which have been consolidated, rescheduled or reamortized. Their audit indicated that some of our loans were rewritten merely to give the borrower a lower interest rate. The Farm Plans showed adequate repayment ability based on the rates and terms of the old loans. These loans should not have been rewritten.

FmHA Instruction 1951-A sets forth the requirements which must be satisfied before loans are consolidated, rescheduled, or reamortized. The lead-in language to both §1951.33 and §1951.40 points out that borrowers are expected to repay according to planned repayment schedules, although circumstances may occur which will not permit borrowers to repay as scheduled. These sections then go on to list the requirements for consolidations, reschedulings and reamortizations. One requirement found in §1951.33 is that such servicing actions will assist in the orderly collection of the loan. Section 1951.40 requires the servicing action to be in the best interest of the government. These sections were intended to be used and should be used only when a borrower cannot meet scheduled payments. In the future, loans will not be consolidated, rescheduled or reamortized just to reduce the interest rate.

CHARLES W. SHUMAN
Administrator

EXPIRATION DATE: June 30, 1985

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1951-A



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Completion of examination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250