



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1257 (1951)

September 11, 1985

SUBJECT: FmHA Program Management and Servicing Goals
Through June 30, 1986

TO: All State Directors, FmHA

Purpose/Intended Outcome

This AN establishes goals for FmHA's loan and grant servicing and loan making activities for the period July 1, 1985 - June 30, 1986. It also sets forth specific lending and servicing policies for FmHA's various loan programs.

Comparison with Previous AN

This AN replaces FmHA AN 1050 (1951) dated July 23, 1984 which expired on June 30, 1985. It differs from previous issuances in that June 30 is now established as the date for setting goals and measuring results. June 30 was chosen at the recommendation of State Directors and program managers in the National Office because it coincides with the period covered by FmHA's Performance Appraisal System.

Another added and important feature is the requirement for both National Office and State Office managers to review goals at the midpoint of the year to determine if changes are needed to reflect unanticipated realities which occur subsequent to the time goals were set. An example last year was the announcement and implementation of the Administration's Farm Initiatives which caused us to switch priorities and program emphases during the year.

Implementation Responsibilities

State Directors and Program Chiefs should immediately review the goals which have been set and make plans for training, implementation, and measuring the results of these efforts. This should be done using management plans, training schedules, and performance elements and standards.

EXPIRATION DATE: September 30, 1986 FILING INSTRUCTIONS: Preceding FmHA
Instruction 1951-A



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Servicing and Supervision

These functions will continue as our top priority in program management. State Directors are to make the most effective and efficient use of our personnel resources and approved contracting services as we move to make even further reductions in delinquency rates for most of our loan portfolio. FmHA has a loan portfolio of \$62.7 billion with approximately \$7.3 billion being delinquent, as of March 31, 1985. Proper loan servicing also means borrower counseling, proper accounting for security property, financial analyses, interest credit renewals, and consideration for graduation.

Loan Making

FmHA has been authorized to administer a wide range of financial assistance programs. Our mission is to serve as a temporary source of supervised credit and technical support for rural communities, improving their farming enterprises, housing conditions, essential community facilities and employment/economy-boosting business and industrial activities until they are able to qualify for private sector financing. Each State Director is expected to use available program funds, personnel resources, and approved contract services in line with sound loan making practices to provide financial assistance to rural areas. This requires coordinating the various programs to compensate for cyclic processing demands of some programs as well as seasonal construction activity. With the majority of Agency resources being expended in servicing and supervision functions, you must carefully plan and monitor the use of all available resources. This will help assure that loan making activities are accomplished in an efficient and timely manner for all of our program areas and that available program funds are effectively utilized.

While the seasonal aspects of farmer program loans or loans for construction of housing and community facilities will dictate some peaks and valleys in processing activities, you are cautioned not to take the approach of emphasizing one activity at a time. A balanced loan program requires both appropriate and planned loan making and servicing activities each month in each program!

Environmental reviews must be more fully integrated into the loan making process. Environmental assessments are a valuable tool in reaching decisions on general project location, site selection and layout, and selection of preapplications for further processing. FmHA field staffs have increased their personal knowledge of the environmental review process and the issues involved. Each State now has developed a Natural Resource Management Guide. By using this Guide coupled with our increasing staff expertise, we are in a position to screen out quickly those environmental issues needing emphasis and those which can be internally documented by FmHA staff as inconsequential.

Property Management

Our inventory numbers are continuing to grow at a modest rate in Single Family Housing, and significantly in farm properties. When operating as a lender of last resort, it is expected that some borrowers will not achieve their initial objectives. When this happens, we should act quickly to ensure that any resources (land, housing, equipment, livestock, etc.,) that the borrower has pledged as security are handled in a timely and responsible manner. FmHA Instructions allow various means of accomplishing this objective through sales or leases. A successful program of property management uses a diverse approach coordinated with various elements of the private sector such as contract servicing in accordance with OMB Circular A-76, Performance of Commercial Activities.

Farm Credit Initiatives

We recognize the tremendous effort put forth by everyone in FmHA to implement the Farm Credit Initiatives. These initiatives as well as anticipated Coleman/Block repercussions and appeals will continue to occupy too much of our time. You are urged to make use of software programs that were provided for use with the IBM Displaywriter and Sharp PC 1500 to expedite servicing actions.

Use of Resources

In order to accomplish these goals State Directors should make use of RMS data which is available on a monthly basis. This will enable you to monitor trends in the use of resources and time management. We had previously made blank forms available for this purpose and more can be obtained from the National Office. The RMS Summary for FY 84 is attached for information. We are currently updating the FY 85 charts and trust that you are doing the same for each of your offices.

Goals

Attached to this AN by program area are delinquency reduction goals and guidance in loan making, servicing, and property management activities. They are "stretch" goals but are attainable through the use of sound management practices and FmHA servicing and supervision instructions. If we approach the task with a positive attitude of how best to ensure that our borrowers are successful our objectives can be reached! The following attachments are included:

Attachment

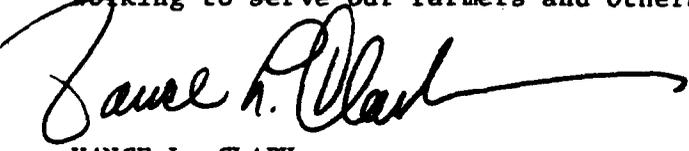
Program

A	Farmer Programs
B	Single Family Housing
C	Multiple Family Housing
D	Community Programs
E	Business and Industry Loans
F	RMS Summary FY 84

Conclusion

We will be monitoring your progress in achieving the goals set forth herein. We expect you to monitor the activities of the offices in your State, and to identify high delinquency and other problem areas, and then to utilize available personnel and financial resources to achieve those goals.

Good luck to you and your staff as we embark on another exciting busy year working to serve our farmers and others in Rural America.



VANCE L. CLARK
Administrator

Attachments

FARMER PROGRAMS DELINQUENCY, SERVICING,
LOAN MAKING AND PROPERTY MANAGEMENT GOALS
Through June 30, 1986

Introduction

During this period of distressed economic conditions in agriculture, we are being called on to dedicate ourselves to provide the best possible supervision, servicing, and loan making services to new farm applicants and borrowers. Borrowers must be assured that we understand their problems and that we will work with them on a timely, fair, and business like basis using all of our authorities to help them when their farming operations have a reasonable chance of success.

History

See page two of this attachment for the Farmer Program trends from 1981 through 1985. This chart includes trends for the number of borrowers behind schedule, loan obligations, special servicing actions, farmers who discontinued their operations and inventory.

Delinquency Goals

The 1986 delinquency reduction goals are found on Attachment A, page eight. These goals recognize borrowers' current financial difficulties and, therefore, reflect a very modest reduction in the large number of Farmer Programs' delinquent dollars. In order to give credit for the delinquent dollars collected, your goals this year are in dollars rather than the number of borrowers delinquent. It is necessary that we reverse the increasing trends of past years. Our Farmer Programs' delinquency record for 1982, 1983, 1984, and 1985 as of June 30, of each year is as follows:

Percent of Active Borrowers Delinquent
United States
as of 6/30

<u>Program</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
OL	29	32	36	35
FO	16	20	23	25
SW	19	26	29	32
EM	35	44	42	44
EE	36	44	47	48

PROGRAM TRENDS AND COMPARISONS FY 1981 TO DATE

1257(1951)

	<u>FY 1981</u>		<u>FY 1982</u>		<u>FY 1983</u>		<u>FY 1984</u>		<u>FY 1985</u> To 6/30	
I. # of Borrowers (EOY)*										
# behind schedule*										
			270,209		271,099		273,197		271,943	
			66,470(25%)		77,111(28%)		80,985(29%)		88,983(32%)	
\$ (mil.) outstanding (EOY)		23,649		24,394		24,475		25,772		28,011
II. <u>Loan (Grant) Obligations</u>	(#)	(\$)Mil.	(#)	(\$)Mil.	(#)	(\$)Mil.	(#)	(\$)Mil.	(#)	(\$)Mil.
- Operating - Insured	29,496	823	44,370	1,204	56,072	1,685	59,202	1,960	69,482	3,271
- Guaranteed	342	25	549	47	488	51	965	111	7,344	826
- Ownership - Insured	11,693	795	10,189	658	10,088	729	8,456	659	6,331	548
- Guaranteed	160	18	41	4	110	20	261	42	330	51
- Emergency Disaster	138,990	5,112	42,863	2,173	8,771	566	34,997	1,051	12,543	432
- Economic Emergency - Ins.	26,636	1,161	0	0	0	0	4,061	309	0	0
- Guar.	712	85	0	0	0	0	1,709	290	0	0
- Other	2,288	55	1,394	28	862	20	744	14	423	8
- Total	210,317	8,074	99,406	4,114	76,391	3,071	110,425	4,438	96,453	5,136
III. <u>Special Servicing Actions*</u>										
Deferrals				3,608		2,925		2,840		3,756
Resched, Consol, or Reamortize				12,689		30,804		30,204		99,087
Subordinations				29,944		31,293		31,568		21,170
Total				46,241		65,022		64,612		124,013
IV. <u>Farmers Discontinuing Operations*</u>										
Foreclosures (Fcl)			844		615	:FmHA: 356		356		78
					742	:Others: 1,066		1,066		508
Bankruptcies			1,245		1,392		1,124			599
Other liquidations			5,908		1,486:Vol Convey:	1,409		1,409		837
					2,667:Sale not Fcl:	2,187		2,187		1,529
Transfer & assumption				230		627		571		145
Total due to fin. difficulties				8,227(3%)		7,529(2.7%)		6,713(2.4%)		3,696(1.3%)
*Source: Farm and Housing Activity Report initiated in FY' 1982										
Property in Inventory (EOY)			967		1,891		2,135 (as of 4-30-84			
Sold during FY					759		583 survey)			

Thousands of Dollars Delinquent for Active Borrowers
 United States
 as of 6/30

<u>Program</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
OL	\$ 362,945	\$ 518,589	\$ 782,960	\$ 980,401
FO	136,949	217,694	301,837	390,549
SW	13,879	23,050	29,540	37,609
EM	1,861,186	2,610,058	3,374,243	3,914,907
EE	552,859	755,446	900,950	1,053,222

Delinquency Goal Methodology

Every State's delinquency goal is to stop and reverse the increasing trend of recent years and reduce the amount of delinquent dollars. The overall goal is to reduce the amount of delinquent dollars by one percent for OL, FO, SW, EM, and EE loan programs. For those States with a dollar amount delinquent above the national average amount in a loan program, the delinquency reduction goal for that program will be adjusted in accordance with the following table:

<u>Percent Deviation From National Average</u>	<u>Point Adjustment</u>
1-20	1
21-40	2
41-60	3
61-80	4
81 and over	5

For example, a State's FO delinquent dollar amount as of June 30, 1985, was \$3,339,000, or 45.3 percentage points above the national average FO dollar amount delinquent of \$7,369,000. The 1-point base would be increased three percentage points to four percent, thereby making the State's delinquency goal for June 30, 1986, a four percent reduction. Translating the four percent to amount of dollars, we simply multiply the amount of delinquency dollars (\$10,708,000) by .04 and arrive at the figure of \$428,320 as the dollar amount we expect your efforts will produce in reducing the total dollar amount delinquent. The goal would be a \$10,280,000 delinquency by June 30, 1986. A minimum improvement goal of one percent has been established.

The data source used is FmHA Report Code 616, "Active Borrowers Delinquent, June 30, 1985."

Loan Servicing Goals

FmHA personnel will make every effort to help farmers deal with and resolve their financial and production problems. We must ensure that County Supervisors and District Directors fully use all appropriate

servicing and supervisory tools and skills which could enable FmHA to continue with borrowers who can demonstrate the capability of responding positively to our credit counseling, supervision, and servicing initiatives.

Supervisory and servicing techniques must be fully and appropriately used if borrowers are to realize an improvement in their chances for success.

Loan Making

Each State Director should plan for the most efficient and effective use possible of all allotted funds to assist farmers. A special effort must be made to assist minority farmers in improving their operations. Strong emphasis must be placed on the full use of FmHA's guaranteed loan programs. In the initial and subsequent loan making process for all types of farm loans, full use will be made of conventional credit sources. Other lenders will be used to the maximum when feasible; and FmHA subordinations will be used in lieu of loans, whenever possible. State Directors must assure that all loans are based on realistic farm operating budgets and well-documented appraisals, both real estate and chattels, when such appraisals are required. The State Office Farmer Programs staff must make sure that County Supervisors and other appraisers of farm property are adequately trained. A chattel appraisal instruction now under development will provide needed guidance when issued.

Farm Property Management Goals

1. General

The acquisition, management and sale of FmHA farm inventory properties must continue to be administered in a manner that is responsive to local market conditions and in compliance with official policies and procedures. The following table summarizes changes in our farm inventory for the dates indicated.

FARM INVENTORY PROPERTIES - U. S.

	<u>December 31, 1983</u>	<u>December 31, 1984</u>
Number of Farms	2,089	1,920
Acres	487,653	671,481
Value \$	379,151,944	348,480,000
Ave. \$ Value per Acre	778	519

The average value per acre of farms declined 33 percent in 1984 and farm values are expected to remain soft throughout 1985. Therefore, you must continue your efforts of analyzing farm real estate values in your State and determining whether or not the sale of any of your farm

inventory properties will create an unacceptable downward pressure on farm values. Presently, there are 9 States and 36 counties in 14 other States that have suspended the sale of farm inventory properties due to adverse economic conditions. We expect you to keep us apprised of any significant change in your farm real estate market conditions during FY 1986 and provide appropriate recommendations for the management and sale of farm properties in accordance with the applicable provisions in paragraph three of our memorandum to State Directors and Farmer Program Chief's dated August 14, 1984.

2. Acquisition of Property

- a. Whenever possible avoid acquiring farm properties. Explore all servicing alternatives with borrowers and alternative methods of liquidation other than voluntary conveyance and foreclosure.
- b. Review all real estate appraisals and insure that they are current and accurately reflect the present market value.
- c. Review initial inventory property classifications. We have observed that some suitable farm properties are improperly classified as surplus in order to facilitate their exposure, availability and sale to a broader range of buyers, including ineligible.

3. Management of Property

- a. Continue to manage farm inventory properties in accordance with the provisions set forth in paragraphs 4 (a) through (j) and 5 in our memorandum to State Directors and Farmer Program Chiefs dated August 14, 1984.
- b. Review all real estate appraisals every six months. Property values are changing very rapidly in many areas of the country. Inflated values discourage sales and increase the costs associated with holding properties while deflated values decrease the amount of return.

4. Sale of Property

- a. Review quarterly, all suitable classifications of farm properties and determine whether or not there has been any physical damage or a change in economic conditions which may have made a property unsuitable for sale to eligible applicants. If such changes have occurred, the suitable property should be immediately reclassified to surplus and advertised for public sale.
- b. Use the services of real estate brokers to sell suitable farm properties to eligible applicants when it is in the best interest of the Government to do so. Also, use real estate brokers to sell

surplus farm properties after the State Director has determined the property cannot be sold by FmHA employees, the property has been advertised for sale by public notice, no acceptable bids or offers have been received, negotiations have been discontinued, and it is in the best interest of the Government to do so.

- c. Continue to develop and refine your State Office property management record keeping system. Incorporate an effective follow-up method into your system to check on such things as appraisal values, leases, taxes, classification, management contracts, required maintenance, servicing matters and sale progress.

ACTUAL ACCOMPLISHMENTS
 FARMER PROGRAM INSURED LOAN DELINQUENCY REDUCTION GOALS
 Number of Borrowers Through March 31, 1985

STATES	FO		OL		EM		EE		S&W	
	# DEL 3/31 1985	GOAL 3/31 1985								
ALABAMA	762	859	1130	1167	1843	1956	351	380	75	79
ALASKA	2	2	1	2	0	0	0	0	0	0
ARIZONA	270	235	322	305	324	297	200	201	59	56
ARKANSAS	1468	1212	2270	1845	3402	3008	1166	1148	423	355
CALIFORNIA	448	379	701	623	735	647	693	641	180	143
COLORADO	475	438	410	442	337	386	432	486	61	67
DELAWARE	29	31	33	37	40	39	19	23	5	1
MARYLAND	125	120	232	227	162	132	153	161	7	8
FLORIDA	443	526	868	1002	943	1098	495	558	70	82
GEORGIA	1039	1026	2043	1959	4252	4287	951	933	278	272
HAWAII	45	37	50	48	22	24	4	6	1	3
W. PAC. TER.	0	0	3	2	4	3	0	0	0	0
IDAHO	978	850	1034	966	422	412	1038	1001	306	277
ILLINOIS	1356	888	2094	1655	2635	1506	1244	1114	144	100
INDIANA	1191	990	1729	1440	1345	980	1420	1330	73	59
IOWA	1617	974	2925	1983	2751	1427	2049	1644	180	133
KANSAS	1441	1078	1133	989	1447	1191	754	735	93	74
KENTUCKY	922	872	1698	1583	1501	1036	841	850	185	192
LOUISIANA	697	575	2679	2030	2692	2495	768	664	102	84
MAINE	302	313	555	654	238	317	113	148	8	6
MASSACHUSETTS	67	74	71	73	17	22	32	39	4	4
CONNECTICUT	27	37	39	42	10	13	26	27	4	5
RHODE ISLAND	10	9	12	8	3	1	3	2	0	0
MICHIGAN	829	675	1300	983	944	37	909	837	187	131
MINNESOTA	1858	1412	2430	1785	2297	2061	1765	1606	222	193
MISSISSIPPI	1745	1482	3195	2593	4931	4386	681	610	291	246
MISSOURI	2992	2330	2862	2517	4327	3183	1670	1603	1148	949
MONTANA	602	494	623	570	763	674	412	393	116	104
NEBRASKA	1913	1229	1483	1186	2227	1715	1835	1507	463	315
NEW JERSEY	158	151	264	254	235	220	39	40	19	19
NEW MEXICO	236	270	336	327	208	214	195	193	47	52
NEW YORK	759	627	939	749	1181	1019	852	730	146	113
NORTH CAROLINA	1155	1964	1998	1927	2437	2505	1310	1277	168	143
NORTH DAKOTA	1606	1572	1483	1383	2498	2570	900	1006	71	61
OHIO	771	513	1248	754	1099	747	550	456	80	53
OKLAHOMA	1563	1457	1766	1732	1755	1730	1195	1201	239	220
OREGON	424	364	515	500	363	330	448	404	167	146
PENNSYLVANIA	422	408	651	641	302	251	513	504	53	39
PUERTO RICO	628	551	569	544	180	187	170	154	51	38
SOUTH CAROLINA	689	606	936	851	1506	1391	316	291	14	14
SOUTH DAKOTA	1507	978	2122	1546	2963	2451	1656	1436	95	67
TENNESSEE	1552	1373	2163	1894	2089	1688	1168	1108	45	45
TEXAS	2225	1932	5443	4558	5621	5422	1311	1213	463	383
UTAH	141	119	147	132	62	51	86	65	13	17
NEVADA	67	55	68	69	15	14	80	65	38	33
VERMONT	74	78	65	59	9	7	33	28	6	3
NEW HAMPSHIRE	10	11	17	10	0	0	2	1	0	0
VIRGIN ISLANDS	17	14	19	17	3	2	0	0	7	6
VIRGINIA	489	557	1006	1111	1639	1914	435	495	3	2
WASHINGTON	436	398	468	451	229	217	476	491	68	60
WEST VIRGINIA	176	162	337	317	23	18	61	57	7	7
WISCONSIN	928	884	1145	1016	875	791	1077	1070	79	67
WYOMING	173	187	201	262	172	198	126	167	30	21
NATIONAL TOTALS	39,858	33,478	57,732	49,820	65,988	57,270	33,023	31,100	6,595	5,546

FARMER PROGRAM INSURED LOAN DELINQUENCY REDUCTION GOALS
Thousands of Dollar's Through June 30, 1986

STATES	FO		OL		EM		EE		S&W	
	\$ Del 6/30 1985	Goal 6/30 1986								
Alabama	5,556	5,500	19,495	19,105	106,010	101,770	11,765	11,647	200	198
Alaska	28	28	31	31	0	0	0	0	0	0
Arizona	8,174	8,011	8,431	8,347	95,358	92,497	14,688	14,541	895	868
Arkansas	8,985	8,715	34,354	32,293	194,577	182,902	31,014	29,773	1,213	1,152
California	7,683	7,529	18,044	17,864	287,519	270,268	46,628	43,830	2,617	2,460
Colorado	5,872	5,813	8,719	8,632	19,757	19,559	23,900	23,183	789	773
Delaware	348	345	612	606	749	742	829	821	37	37
Maryland	1,598	1,582	3,573	3,537	4,166	4,124	5,678	5,621	26	26
Florida	8,186	8,022	24,266	23,538	123,386	117,217	34,263	32,550	840	823
Georgia	14,793	13,905	49,683	46,702	589,500	554,130	51,147	48,078	5,526	5,194
Hawaii	224	222	342	339	516	511	162	160	9	9
W. Pac. Terr.	0	0	37	37	220	218	0	0	0	0
Idaho	14,694	13,812	18,477	18,292	41,153	40,741	45,620	42,883	2,243	2,108
Illinois	9,270	8,992	26,852	25,778	43,348	42,915	31,586	30,323	249	247
Indiana	16,957	15,940	36,080	33,915	48,890	48,401	60,662	57,022	241	239
Iowa	15,473	14,545	40,372	37,950	44,272	43,829	43,520	40,909	294	291
Kansas	10,708	10,280	14,078	13,937	25,054	24,803	18,943	18,754	273	270
Kentucky	5,024	4,974	14,947	14,798	20,592	20,386	13,874	13,735	116	115
Louisiana	9,435	9,152	55,863	52,511	209,949	197,352	24,571	23,834	1,008	968
Maine	2,899	2,870	9,632	9,536	26,844	26,576	4,036	3,996	14	14
Massachusetts	563	557	735	728	333	330	753	745	9	9
Connecticut	333	330	483	478	1,116	1,105	745	738	34	34
Rhode Island	89	88	136	135	15	15	208	206	0	0
Michigan	9,128	8,854	20,198	19,794	51,486	50,971	26,632	25,833	1,029	988
Minnesota	17,155	16,126	38,432	36,126	81,996	80,356	39,838	37,448	810	794
Mississippi	14,596	13,720	68,486	64,377	479,067	450,323	25,967	25,188	1,612	1,515
Missouri	21,496	20,206	42,531	39,979	96,675	93,775	33,395	31,725	1,859	1,747
Montana	7,429	7,280	12,567	12,441	49,638	49,142	14,827	14,679	874	848
Nebraska	15,689	14,748	18,256	18,073	47,649	47,173	47,350	44,509	2,913	2,738
New Jersey	2,182	2,160	4,645	4,599	9,052	8,961	701	694	86	85
New Mexico	3,199	3,167	6,903	6,834	16,683	16,516	9,809	9,711	448	444
New York	7,545	7,394	12,872	12,743	47,260	46,787	19,679	19,482	779	763
North Carolina	8,941	8,673	28,762	27,612	97,605	94,677	42,655	40,096	472	467
North Dakota	13,121	12,465	17,790	17,612	73,036	72,306	18,338	18,155	414	410
Ohio	8,826	8,649	20,844	20,427	33,698	33,361	18,470	18,285	131	130
Oklahoma	11,844	11,252	25,998	24,958	91,384	88,642	39,538	37,166	1,004	964
Oregon	5,776	5,718	9,815	9,717	24,766	24,518	18,633	18,447	2,116	1,989
Pennsylvania	5,467	5,412	7,970	7,890	8,035	7,955	14,491	14,346	63	62
Puerto Rico	4,127	4,086	5,967	5,907	1,172	1,160	5,684	5,627	146	145
South Carolina	6,672	6,605	15,062	14,911	84,635	82,942	11,576	11,460	206	204
South Dakota	9,880	9,584	22,279	21,611	76,351	74,824	28,065	26,942	319	316
Tennessee	12,205	11,595	34,620	32,543	68,983	68,293	36,267	34,091	141	140
Texas	28,683	26,962	132,572	124,618	487,199	457,967	64,671	60,791	4,302	4,044
Utah	1,175	1,163	1,531	1,516	1,814	1,796	2,128	2,107	43	43
Nevada	880	871	1,337	1,324	816	808	3,613	3,577	330	327
Vermont	912	903	646	640	45	45	840	832	9	9
New Hampshire	54	53	76	75	0	0	96	95	0	0
Virgin Islands	184	182	319	316	12	12	0	0	66	65
Virginia	5,228	5,176	13,181	13,049	52,720	52,193	12,164	12,042	20	20
Washington	6,829	6,761	9,430	9,336	18,395	18,211	20,103	19,701	366	362
West Virginia	1,113	1,102	2,768	2,740	675	668	1,501	1,486	4	4
Wisconsin	9,977	9,678	15,300	15,147	19,203	19,011	25,550	24,784	185	183
Wyoming	3,345	3,312	4,001	3,961	11,534	11,419	6,054	5,993	231	229
National Totals	390,550	375,069	980,400	939,962	3,914,908	3,745,202	1,053,227	1,008,640	37,611	35,868

SINGLE FAMILY HOUSING PROGRAM MANAGEMENT AND SERVICING GOALS
THROUGH June 30, 1986

Introduction

The employees of the State and County Offices have done an outstanding job in reducing Single Family Housing (SFH) delinquency in the past three years. Borrowers have been encouraged to address their delinquency before it becomes too late and liquidation becomes necessary. Your fine efforts are recognized. We congratulate each of you that contributed to this success. Every loan made carries a commitment and responsibility to adequately service the loan throughout its entire life.

Specific goals must be established to enable us to achieve FmHA's SFH mission, of which the three distinct areas of responsibility are:

- Make sound loans, so new borrowers have an opportunity to become successful homeowners.
- Assist borrowers to become successful homeowners by servicing loans using a daily follow-up system, counseling, and all other servicing tools such as interest credits, moratorium, and additional partial payment agreements.
- Manage and care for abandoned and inventory properties, and sell inventory as soon as possible to maximize the Government's recovery.

History

Five year program trends and comparisons are shown on page three. We are concerned that the total outstanding delinquency indebtedness has increased to \$227.7 million and the number of inventory properties have increased to 14,976.

Loan Servicing and Supervision

The nationwide goal is to have 88 percent of the SFH borrowers successful or current by June 30, 1986. This percentage goal is attainable by all States if proper emphasis is placed on the effective servicing of accounts. Every County Office is expected to have a servicing system operating in accordance with the requirements set forth in FmHA Instruction 1951-G.

Goals have been established for each State as indicated on page four according to the following table based on FmHA Report Code 581 as of March 31, 1985:

<u>Category</u>	<u>Improvement</u>
1. Below 10%	<u>1/</u>
2. 10% through 14%	10%
3. 14% through 17%	15%
4. 17% through 20%	20%
5. 20% through 25%	25%
6. above 25%	30%

1/ Do not exceed June 28, 1985, delinquency level.

The same percentage improvement was established for annual payment borrowers based on Report Code 583 as of June 28, 1985. In addition, each State has a goal of reducing the total dollar amount of delinquency from June 28, 1985, to June 30, 1986, as reported in Report Code 616.

Loan Processing

Loan processing activity must be improved to provide for timely and maximum use of the allocation. Funds are allocated to States on the basis of a need for housing. We have the responsibility to deliver a sound credit program to rural families who are unable to obtain decent housing without our assistance. To meet the Agency's objective of serving very-low income persons, an active outreach program is necessary. This will assist in our effort to make funds available to those who are most in need of adequate housing in the areas we serve.

You are reminded that a sufficient number of applications for processing must be posted to assure full and timely use of funds. Efforts must be continued to provide more affordable housing. This may be accomplished by assuring that the dwelling is energy efficient and does not include unnecessary amenities. Further, we should counsel applicants to encourage the purchase of housing most suited to their needs regarding size, number of bedrooms, and bathrooms.

Subdivisions proposed for FmHA financing should be located in or as part of a rural community. The subdivision location should: (1) be convenient to services such as shopping, schools, employment opportunities, etc., and (2) take advantage of established facilities such as central water and sewer systems, solid waste disposal, police and fire protection, etc. In Veterans Administration and Housing and Urban Development approved subdivisions, each site considered for FmHA financing must meet the conditions outlined in FmHA Instructions 1944-A and 426.2.

Property Management

According to the Farm and Housing Activity Report, the SFH inventory was 14,976 on June 30, 1985, which is a net increase of 2,216 over the June 30, 1984, level. During the FY ending June 30, 1985, 14,564 single family homes were acquired and 11,640 were sold. The goal is two-fold:

1. A net inventory reduction of 10 percent by June 30, 1986; and
2. On June 30, 1986, to have no property in inventory which was acquired before January 1, 1985.

In order to reach Goal No. 1, sales must exceed acquisitions by 1,498 nationally. The achievement of both goals mandates full use of private sector services in the management, repair, and sale of inventory homes. Additionally, emphasis on sales publicity is essential.

FARMERS HOME ADMINISTRATION

SINGLE FAMILY

PROGRAM TRENDS AND COMPARISONS FY 1981 TO DATE

	<u>FY 1981</u>		<u>FY 1982</u>		<u>FY 1983</u>		<u>FY 1984</u>		<u>FY 1985</u> To 6-30	
I. <u># of Borrowers (EOY)</u>										
<u># behind schedule</u>	210,263 (23.3%)		176,697 (19.0%)		145,787 (15.6%)		137,146 (14.7%)		147,293 (15.8%)	
<u>\$ (Mil.) outstanding (EOY)</u>	188,282		192,629		188,636		195,624		227,712	
<u>Loan (Grant) Obligations</u>	(#)	(\$)Mil.	(#)	(\$)Mil.	(#)	(\$)Mil.	(#)	(\$)Mil.	(#)	(\$)Mil.
- Sec 502 Low Income Housing	87,241	2,584	78,882	2,476	65,467	2,137	56,126	1,845	32,528	1,089
- Sec 504 V. Low Inc Hsg Repair(L)	5,799	18	3,165	10	2,288	7	2,360	7	1,714	5
(G)	7,687	23	4,205	14	3,845	12	3,642	12	2,873	10
- Other-Const. Defect Compensation	(292)	(.7)	(106)	(.3)	(107)	(.3)	(117)	(.4)	(91)	(.3)
Total										
Conditional commitments issued*	18,411		16,019		10,288		8,782		6,098	
II. <u>Special Servicing Actions</u>										
<u>Borrowers having loans reamortized*</u>	Not Available		Not Available		4,502		5,129		5,254	
Moratoriums approved, including* extensions and renewals	"		"		13,700		12,949		Not Available	
Transfer & assumptions*	"		"		12,732		10,834		Not Available	
IV. <u>Liquidations</u>										
<u>Acceleration letters sent*</u>	"		"		15,513		11,970		5,273	
<u>Foreclosures completed*</u>	"		"		4,235		3,887		591	
<u>Bankruptcies resulting in loss of house*</u>	"		"		181		149		97	
Property in inventory	8,915		11,218		11,902		13,277		14,976	
Sales	Not Available		Not Available		Not Available		15,362		10,184	
Aquisitions	Not Available		12,448		15,442		16,737		12,871	

Source: Farm and Housing Activity Report

1257(1951)

SINGLE FAMILY HOUSING PROGRAM MANAGEMENT AND SERVICING GOALS
Through June 30, 1986

State	Delinquent (1) Borrowers (Monthly)		Delinquent (2) Borrowers (Annual)		Inventory (3) Properties	
	Status 6-30-85	Goal 6-30-86	Status 6-30-85	Goal 6-30-86	Status 6-30-85	Goal 6-30-86
Alabama	4,318	3,886	118	106	812	731
Alaska	160	144	0	0	36	32
Arizona	1,905	1,429	68	48	141	127
Arkansas	4,970	4,224	326	293	471	424
California	3,512	2,985	56	39	148	134
Colorado	1,556	1,167	72	54	214	193
Connecticut	340	340	3	8	20	18
Delaware	415	353	5	4	30	27
Florida	2,901	2,611	51	46	523	471
Georgia	5,385	4,577	289	217	556	500
Hawaii	645	580	0	0	4	3
Idaho	2,172	1,738	161	129	268	241
Illinois	3,650	2,920	110	82	552	497
Indiana	3,772	3,018	55	41	734	661
Iowa	2,853	2,425	124	99	775	697
Kansas	1,701	1,446	138	110	331	298
Kentucky	3,820	3,438	159	265	474	427
Louisiana	4,396	3,517	211	158	580	522
Maine	2,413	2,172	100	177	88	79
Maryland	1,579	1,342	36	31	129	116
Massachusetts	761	685	6	4	10	9
Michigan	4,644	3,715	72	54	316	284
Minnesota	2,013	1,711	309	216	257	231
Mississippi	8,489	7,216	1,346	1,211	475	427
Missouri	2,562	2,306	456	319	607	546
Montana	789	671	69	52	108	97
Nebraska	1,182	1,005	144	108	210	189
Nevada	211	179	9	6	98	88
New Hampshire	458	458	16	13	23	21
New Jersey	1,753	1,578	16	12	64	58
New Mexico	1,205	964	40	34	106	95
New York	5,372	4,298	115	86	288	279
North Carolina	4,330	4,330	526	744	532	478
North Dakota	1,040	832	377	264	195	175
Ohio	3,035	2,428	83	58	451	406
Oklahoma	2,863	2,577	200	180	362	326
Oregon	1,209	1,088	28	24	437	393
Pennsylvania	2,818	2,395	79	63	326	293
Rhode Island	165	165	1	1	3	2
South Carolina	5,816	4,944	171	145	584	526
South Dakota	711	640	173	156	138	124
Tennessee	6,510	5,533	345	293	488	439
Texas	6,575	5,260	482	386	395	355
Utah	1,552	1,242	39	67	71	64
Vermont	666	666	29	41	29	26
Virginia	5,814	4,942	151	121	478	430
Washington	1,524	1,295	60	42	252	227
West Virginia	2,665	2,265	32	48	196	176
Wisconsin	2,578	2,191	211	179	186	167
Wyoming	269	269	27	23	70	63
WPT	878	702	0	0	0	0
Puerto Rico	13,978	9,785	640	512	329	296
Virgin Islands	395	296	0	0	6	5
TOTAL	147,293	121,953	8,334	7,369	14,976	13,493

(1) 6/28/85 Status from Report Code 581

(2) 6/28/85 Status from Report Code 583

(3) 6/30/85 Status from COORS Report

NOTE: When a State Office has multiple States, total inventory figures are shown under the State Office location.

MULTIPLE FAMILY HOUSING PROGRAM MANAGEMENT GOALS
THROUGH JUNE 30, 1986

Introduction

In FY 1986, every effort should be made to provide sufficient resources to maintain a balanced loan program and to accomplish the mandated Multiple Housing (MH) loan-making and servicing activities. We must continue our efforts to service the rural rental housing (RRH) and labor housing (LH) loans while providing loan-making activities that will result in feasible projects being operated by responsible borrowers.

History See Page two of this Attachment.

Loan Servicing and Supervision

Loan servicing activities conducted in FY 85 in the RRH program are commendable. These efforts must be continued throughout the remainder of FY 1985 and into FY 1986. During this period, additional emphasis must be placed on LH loan servicing to obtain results comparable with those we have experienced in the RRH program. Additionally, we must continue obtaining and reviewing borrower reports and audits and conducting analysis for the MH borrowers. For the remainder of FY 1985 and in FY 1986, the specific servicing issues to be addressed include:

A. FY 1985 RRH and LH Delinquency Reduction Efforts - Nationally, the number of delinquent borrowers is close to the goal established for FY 1985. The National RRH delinquency status was two percent of the total RRH caseload according to the Report Code 616 for March 31, 1985. The States that have met their delinquency reduction goals as well as those that have made substantial progress in reducing the RRH delinquency are commended for their accomplishments.

Unfortunately, the number of LH delinquencies has increased from March 31, 1984. The LH goals established for March 1, 1985, were set as a guide to assist each State in allocating resources to LH servicing. We recognize that some delinquent individual LH borrowers have insufficient income to make the required FmHA loan payments due to the current farm economy. However, we need to rededicate our efforts to bring as many of these accounts current as possible. We need to help individual LH borrowers to improve the viability of their total farming operations if we expect to bring the accounts current.

1257(1951)

FARMERS HOME ADMINISTRATION

MULTIPLE FAMILY

PROGRAM TRENDS AND COMPARISONS FY 1981 TO DATE

	FY 1981		FY 1982		FY 1983		FY 1984		FY 1985		
									To		
I. # of Borrowers (EOY)											
# behind schedule		373		434		288		495		256	
\$ outstanding (EOY)		\$9,073	6%	\$12,158	6%	\$9,937	4%	\$10,784	6%	\$8,772	2%
		(\$)	(#)								
II. Loan (Grant) Obligations	(#)										
- Sec 515 Multi-Family	1,466	\$864,765,230	1,428	\$953,667,720	1,195	\$801,997,010	1,264	\$919,002,010	676	\$479,723,881	
- Sec 514 Labor Housing (L)	250	18,548,040	136	11,910,600	68	3,994,290	76	5,484,870	71	4,334,910	
Sec 516 (G)	23	10,510,230	15	14,948,400	12	7,543,530	7	9,807,080	5	1,349,820	
- Other Technical Supervisory Grants	13	1,000,000									
Total											
Conditional commitments issued											
III. Special Servicing Actions											
Borrowers having loans reamortized				Not Available							
Moratoriums approved, including extensions and renewals				Not Available							
Graduations											
	(95)		(69)		(112)						
*Transfer & assumptions	\$30,669,913.38		\$20,882,209.50		\$41,359,967.55		Not Available			Not Available	
IV. Liquidations											
Acceleration letters sent										Not Available	
*Foreclosures completed	0		(2)	\$21,950.00	(15)	\$5,675,356.09		Not Available		Not Available	
Bankruptcies resulting in loss of property											
	(1)		(10)		(18)						
*Property in inventory	\$15,897.61		\$89,478.67		\$5,841,547.83		Not Available			Not Available	

**These figures are as of 7/17/85. We do not have figures for 6/30.

B. Delinquency Reduction Goals To Be Achieved by June 30, 1986 - The RRH and LH delinquency goals for FY 1986 are shown on pages six and seven. In setting the FY 1986 goals, we have attempted to recognize each State's program volume and the impact of recent program changes. We also recognize that some delinquent accounts may require an extended period of close supervision to reduce the delinquency. The recent revisions to FmHA Instruction 1965-B (including the use of the delinquency classification system provided in Section 1965.85) and the implementation of the new Automated Multi-Housing Accounting System (AMAS) should prove beneficial in assisting us to reduce the number of delinquent RRH and/or LH accounts.

C. Servicing RRH and LH Accounts - State and District Offices are responsible for the debt management of their Multiple Family Housing (MFH) loan portfolios in accordance with applicable regulations, instructions, and administrative notices. The authority to transfer, reamortize and consolidate loans should be used to the maximum extent possible to correct deficiencies and remove the delinquent status of borrower accounts. These tools are available and every effort has been made to provide an efficient means of servicing the accounts with the necessary authorities delegated to the State Director. If all the procedural requirements cannot be met, the National Office, Multiple Family Housing Servicing and Property Management (MHSPM) Division should be consulted for further guidance. This instruction applies to all RRH and LH borrowers.

Special emphasis must be placed on servicing LH loans during the remainder of FY 1985 and FY 1986. District Directors are responsible for maintaining the case files and servicing the loans; however, they may request the assistance of the County Office staff in servicing individual LH accounts when the farmer has other FmHA loans. This, however, does not relieve the District Director from responsibility for reducing the LH delinquencies within his jurisdiction. The District Director must be certain that each individual and organizational LH account in his or her jurisdiction is adequately serviced, regardless of who performs the servicing actions. The District Office should provide the necessary guidance to the County Office staff, who may be assisting in the LH account servicing, to ensure that loan payments are scheduled and collected when income becomes available, i.e., when crops are harvested or the units are occupied.

During the period covered by this AN, each State is expected to emphasize the collection of those accounts which have long standing delinquencies.

Appropriate action should be taken to either collect the account current, develop an appropriate servicing plan, or liquidate the account. Delinquencies which are allowed to remain outstanding without appropriate servicing action being taken should be considered in rating and evaluation of the field staff charged with servicing those accounts.

D. Delinquency Reduction Plans - Again this year, each State is requested to prepare a State delinquency reduction plan for all delinquent MFH loan accounts and to update it on a quarterly basis in accordance with Section 1965.85 (b)(1) of FmHA Instruction 1965-B. The plan must include information on the project name, case number, project number, amount delinquent, reason for delinquency, specific servicing actions taken or planned to be taken, and the planned accomplishment dates. The plan, including the actual accomplishment dates, should be updated and reviewed on a quarterly basis. The delinquency reduction plans for each State must be sent to the National Office no later than 45 days after the date of this AN. The National Office may request copies of quarterly updates from States throughout the year to monitor delinquency servicing efforts.

E. Supervisory Visits - Supervisory visits will be performed in accordance with FmHA Instruction 1930-C, Section 1930.119. Each State and District Office is expected to plan and perform FY 1986 supervisory visits without formal National Office monitoring. However, selected supervisory reports may be requested for National Office review for monitoring throughout the year.

F. Borrower Reports, Audits and Analyses - Continued emphasis should be placed on performing annual audits and analysis and reviewing monthly reports pursuant to the requirements of Section 1930.124 of FmHA Instruction 1930-C. FmHA AN 1192 dated May 2, 1985, provided additional guidance and direction on establishing a means of more efficiently reviewing annual reports as they are received. Throughout this reporting period, we are continuing to request sample reports after they have been reviewed by the District and State Offices as part of our efforts to monitor servicing efforts, identify program deficiencies, and perhaps develop alternative reporting methods which provide the data necessary to assure compliance with program objectives.

Loan Making

States should assure that the processing of preapplications and applications are performed in a timely manner. The District Office staff is responsible for processing the applications, and the State Office must provide the necessary guidance, training, and monitoring to assist them. This should include a

processing checklist and management information checklist consistent with the RRH instructions. The National Office prepared and distributed to the field a guide checklist to accomplish this objective. State Directors should meet periodically to discuss the status and processing of special projects with the RH Chief and staff to assure that applications are processed efficiently and in a timely manner.

Because of some past rural housing lending practices by FmHA and the enactment of Public Law 98-181, dated November 30, 1983, the viability of projects should be carefully considered. These lending practices resulted in some projects being developed that are totally, or, in part, dependent on the availability of deep rental subsidy from FmHA RA or other sources. Otherwise, the rent that prospective tenants could pay would not be sufficient to continue an economically viable and feasible project. We caution you to consider this situation in both making new loans and servicing existing projects that are current or are potential problem cases because of their dependence on expiring contracts for RA. We are developing regulations and anticipate giving you additional guidance on this subject of project feasibility and the use of available RA as soon as possible.

Property Management

Multiple housing inventory property will continue to be serviced in accordance with FmHA Instructions 1955-A, B, C, and 2024-A. The MHSPM Division should be kept advised of all properties acquired or sold by forwarding a copy of Form FmHA 1965-19, "Advise of Mortgaged Real Estate Acquired," or Form FmHA 1965-20, "Advise of Mortgaged Real Estate Sold," simultaneously with the submission to the Finance Office.

Throughout the year, the MHSPM Division will monitor each State's efforts to accomplish the management goals identified in this AN. Information will be gathered from the official Agency reports (including Report Code 616 and the RMS Reports). State Offices should direct any questions concerning Attachment C and Multiple Family Housing Servicing and Property Management (MHSPM) activities to the MHSPM Division at FTS 382-1603.

RRH LOAN DELINQUENCY GOALS THROUGH JUNE 30, 1986

STATE	TOTAL BORROWERS 3/31/85	NUMBER DELINQUENT 3/31/85	GOAL JUNE 30, 1986	REDUCTION NEEDED TO ACHIEVE GOAL
ALABAMA	342	14	11	3
ALASKA	27	0	0	0
ARIZONA	62	3	2	1
ARKANSAS	181	6	5	1
CALIFORNIA	255	8	7	1
COLORADO	95	5	4	1
DELAWARE	81	0	0	0
FLORIDA	228	2	1	1
GEORGIA	234	4	3	1
HAWAII	14	0	0	0
IDAHO	179	1	0	1
ILLINOIS	551	11	10	1
INDIANA	387	13	10	3
IOWA	802	8	7	1
KANSAS	280	12	9	3
KENTUCKY	144	2	1	1
LOUISIANA	170	4	3	1
MAINE	199	1	1	0
MASSACHUSETTS	98	6	3	3
MICHIGAN	424	6	5	1
MINNESOTA	567	4	3	1
MISSISSIPPI	340	4	3	1
MISSOURI	604	8	7	1
MONTANA	137	4	3	1
NEBRASKA	193	7	6	1
NEW JERSEY	47	3	2	1
NEW MEXICO	46	1	0	1
NEW YORK	208	10	7	3
NORTH CAROLINA	371	4	3	1
NORTH DAKOTA	278	3	2	1
OHIO	269	18	15	3
OKLAHOMA	198	4	3	1
OREGON	157	7	5	2
PENNSYLVANIA	172	2	1	1
PUERTO RICO	33	3	2	1
SOUTH CAROLINA	203	3	2	1
SOUTH DAKOTA	386	5	4	1
TENNESSEE	244	10	7	3
TEXAS	495	15	12	3
UTAH	124	4	3	1
VERMONT	103	2	1	1
VIRGINIA	120	5	4	1
WASHINGTON	201	2	1	1
WEST VIRGINIA	160	7	4	3
WISCONSIN	450	14	11	3
WYOMING	55	1	0	1

LH LOAN DELINQUENCY GOALS THROUGH JUNE 30, 1986

STATE	TOTAL BORROWERS 3/31/85	NUMBER DELINQUENT 3/31/85	GOAL JUNE 30, 1986	REDUCTION NEEDED TO ACHIEVE GOAL
ALABAMA	9	1	0	1
ALASKA	0	0	0	0
ARIZONA	22	1	0	1
ARKANSAS	285	23	15	8
CALIFORNIA	33	4	2	2
COLORADO	1	0	0	0
DELAWARE	5	3	1	2
FLORIDA	12	0	0	0
GEORGIA	2	0	0	0
HAWAII	40	1	0	1
IDAHO	10	0	0	0
ILLINOIS	3	0	0	0
INDIANA	1	0	0	0
IOWA	1	1	0	1
KANSAS	2	1	0	1
KENTUCKY	1	0	0	0
LOUISIANA	57	3	1	2
MAINE	8	0	0	0
MASSACHUSETTS	10	1	0	1
MICHIGAN	57	3	1	2
MINNESOTA	1	0	0	0
MISSISSIPPI	250	60	52	8
MISSOURI	1	0	0	0
MONTANA	4	1	0	1
NEBRASKA	4	0	0	0
NEW JERSEY	12	7	5	2
NEW MEXICO	1	0	0	0
NEW YORK	11	0	0	0
NORTH CAROLINA	19	7	4	3
NORTH DAKOTA	3	1	0	1
OHIO	2	0	0	0
OKLAHOMA	6	1	0	1
OREGON	9	1	0	1
PENNSYLVANIA	2	0	0	0
PUERTO RICO	0	0	0	0
SOUTH CAROLINA	72	11	8	3
SOUTH DAKOTA	2	0	0	0
TENNESSEE	112	8	6	2
TEXAS	25	1	0	1
UTAH	2	0	0	0
VERMONT	78	2	1	1
VIRGINIA	6	1	0	1
WASHINGTON	18	2	0	2
WEST VIRGINIA	0	0	0	0
WISCONSIN	6	1	0	1
WYOMING	0	0	0	0

COMMUNITY PROGRAMS MANAGEMENT AND SERVICING GOALS
THROUGH JUNE 30, 1986

Introduction

Community Programs has historically maintained a well-balanced program of credit and supervision. Today's challenge serves to emphasize the importance of clearly defined management goals if we are to continue our record of efficient and effective service to rural America. To that end, we reiterate Community Programs' loan-making, servicing, and supervision goals.

History

See Page two.

Loan Servicing and Supervision

It is the intent of FmHA to provide management assistance in a form which will ensure borrower success and compliance with appropriate FmHA instructions.

The FmHA servicing official will review for approval each borrower's accounting and financial reporting system prior to the borrower beginning facility operations. An initial review of the borrowers records and accounts will be made in accordance with FmHA Instruction 1942-A, Section 1942.17(r)(1)(ii)(A) and the findings recorded on Form FmHA 442-4, "District Directors Report," with a copy forwarded to the State Director.

Security inspections will be performed in accordance with FmHA Instruction 1942-A, Section 1942.17(r)(3). Results of these inspections will be recorded on Form FmHA 424-12, "Inspection Report." Compliance reviews will be coordinated with facility inspections whenever possible.

Borrower graduation reviews will be handled in accordance with FmHA Instruction 1951-F. State Directors should ensure that an orderly and timely graduation review process is being followed in the States.

The servicing official will ensure that all borrowers are promptly and properly notified of the amount and due date of payments. Furthermore, the servicing official will be responsible for monitoring the timely receipt of the payments from the borrower. Delinquent and/or problem case accounts will be serviced in accordance with FmHA AN No. 1213 (1942) and applicable FmHA instructions.

Delinquency goals have been established for each State and are attached. These goals constitute a modest reduction in the number of delinquent loans in each of the Community Programs areas. We believe these goals are realistic and attainable through proper application of the servicing tools provided in applicable instructions and ANs.

257(1957)

FARMERS HOME ADMINISTRATION

COMMUNITY PROGRAMS

PROGRAM TRENDS AND COMPARISONS FY 1981 TO DATE

	<u>FY 1981</u>		<u>FY 1982</u>		<u>FY 1983</u>		<u>FY 1984</u>		<u>FY 1985</u> To 6/30	
I. <u># of Borrowers (EOY)</u>	13,365		14,579		15,315		15,775		16,055	
<u># behind schedule</u>	283 (2.1%)		281 (1.9%)		230 (1.5%)		198 (1.3%)		169 (1.1%)	
<u>\$ (mil.) outstanding (EOY)</u>	5,690		6,530		7,106		7,595		7,909	
II. <u>Loan (Grant) Obligations</u>	(#)	(\$)Mil.	(#)	(\$)Mil.	(#)	(\$)Mil.	(#)	(\$)Mil.	(#)	(\$)Mil.
- CF	862	260	267	126	208	130	173	129.9	99	42.6
- WWD Loans	1,768	750	928	375	1,184	600	645	270	473	189
Grants	788	210.4	444	133.8	630	313.2	276	103.7	234	90.5
- Other										
- Total	3,418	1,220.4	1,639	634.8	2,022	1,043.2	1,094	503.6	806	322.1
III. <u>Special Servicing Actions (estimate) *</u>										
i.e., Reamortization, subordinations	1		7		18		16		11	
Subordinations										
Total										
IV. <u>Liquidations (estimates) *</u>										
Sale										1
Transfer & assumption	14		21		7		8			5
Vol Convey					1					
Foreclosures (Fcl)										
Other liquidations										
Property in Inventory					3		1			1
Sales from Inventory					0		2			0

*Information represents WWD program data only. CF information not available.

In establishing 1986 delinquency goals for Water and Waste Disposal borrowers, each State's 1985 accomplishment was measured against the delinquency as of June 30, 1985. A five percent reduction of the 1985 goal was established as the 1986 goal. The 1985 goals that were exceeded or not met were taken into account in establishing the 1986 goals. States which had a zero delinquency goal for 1985 are required to maintain a goal of zero for 1986.

In establishing the delinquency goals for Community Facilities, Recreation, Watershed, and Resource Conservation and Development borrowers, each delinquent account was reviewed and a decision made regarding the goals for each State. The history of the delinquency and the amount of delinquency are the major factors considered in reviewing the accounts. Accounts with small delinquencies are expected to be paid current. Closer review and confirmation of billings must be done before notifying borrowers of amounts due for the year. Borrowers who have a delinquency but are making progress should be considered for reamortization. Those delinquent borrowers who have tax-levying authorities should be encouraged to use those authorities in bringing their account to a current status.

The delinquent loan status as of June 30, 1985, was taken from Report Code 616, "Active Borrowers Delinquent," furnished by the Finance Office.

Loan Making

Community Programs funds are allocated to achieve specific results, and this Administration is committed to producing these results through the effective and timely use of our resources for feasible projects. States should maintain approximately 150 percent of their current annual Community Programs allocations in process. Obligations should be promptly made whenever an application is completed which represents a quality, viable project. It is essential that State Directors and field personnel maintain close contact with local rural officials, other Federal and State agencies, public interest groups, and professional organizations. This will facilitate more informed decision making and ensure that program benefits continue to accrue to the most deserving truly rural areas.

States are expected to strive for timely and quality processing of inquiries, preapplications, and applications. Loan obligations should be scheduled in a uniform manner throughout the fiscal year. Unliquidated obligations of prior years should be reviewed on a continuing basis. Realistic timetables and target days should be established with appropriate follow-up provided to assure timely project completion and/or deobligation of unneeded funds. Report Code 743, "Report of Prior Year Unliquidated Obligations," will be used to monitor these activities.

State Directors and servicing officials are also expected to establish strong liaison with lenders, investment bankers, and bond counsels to enhance the opportunities for permanent joint financing, interim financing and graduation and to be better informed on other credit opportunities.

Construction supervision and overall management of the construction phase should continue to receive emphasis, especially in the areas of the preconstruction conference, review of plans and specifications, monitoring use of funds, routine inspections, and prefinal and final inspections. FmHA Architects and Engineers must be used to the fullest extent possible in monitoring construction at critical junctures and in training the District personnel. Construction Analysts and Inspectors should be used on Community Programs projects. Staff planning meetings and calendars are vitally important to making the most efficient use of time and travel funds. In all cases, it is important to establish and maintain a strong FmHA presence so that borrowers, consultants, and contractors are aware of the Agency's interest and requirements.

Continued emphasis should also be placed on maintenance and use of the Rural Community Facility Tracking System (RCFTS). It is essential that data contained in RCFTS be accurate and maintained in a current status. In addition to being a key management tool for field personnel, RCFTS is used on a daily basis by the National Office and greatly reduces the need for manual reports from State Offices. It is expected that State Directors meet periodically to discuss the status and processing of specific projects with the program chiefs and staffs to assure that applications are processed efficiently and on a timely basis. RCFTS is the primary source of information and will be used to monitor progress in joint funding, interim financing, graduation and timely loan and grant processing.

The use of the various types of available automated equipment will expedite the actions necessary to carry out a balanced program of loan making and servicing. State Directors should assure that appropriate equipment is located in such a manner as to facilitate its use. This may require equipment to be physically located in the C&BP area. The future acquisition of Multi-Function Work-stations emphasizes the necessity for all State Directors to assure that appropriate program personnel are literate and comfortable with computer capabilities and use. This may only be accomplished through extensive hands on exposure.

COMMUNITY PROGRAMS MANAGEMENT AND SERVICING GOALS
 THROUGH JUNE 30, 1986

WATER AND WASTE DISPOSAL DELINQUENCY GOALS

DATA FROM REPORT CODE 616	DELINQUENCY STATUS AS OF 6/30/85	ESTABLISHED GOALS FOR YEAR ENDING 6/30/86
ALABAMA	8	6
ARIZONA	2	0
ARKANSAS	1	1
CALIFORNIA	2	2
COLORADO	2	0
DELAWARE	0	0
MARYLAND	0	0
FLORIDA	0	0
GEORGIA	4	0
IDAHO	2	0
ILLINOIS	6	2
INDIANA	17	11
IOWA	1	0
KANSAS	1	0
KENTUCKY	3	2
LOUISIANA	8	3
MAINE	3	0
MASSACHUSETTS	0	0
CONNECTICUT	0	0
RHODE ISLAND	0	0
MICHIGAN	1	0
MINNESOTA	0	0
MISSISSIPPI	9	9
MISSOURI	3	3
MONTANA	1	0
NEBRASKA	0	0
NEW JERSEY	0	0
NEW MEXICO	2	0
NEW YORK	0	0
NORTH CAROLINA	0	0
NORTH DAKOTA	0	0
OHIO	0	0
OKLAHOMA	8	3
OREGON	2	0
PENNSYLVANIA	14	6
SOUTH CAROLINA	1	0
SOUTH DAKOTA	1	0
TENNESSEE	11	11
TEXAS	8	8
UTAH	0	0
NEVADA	1	0
VERMONT	0	0
NEW HAMPSHIRE	1	0
VIRGIN ISLANDS	0	0
VIRGINIA	3	3
WASHINGTON	2	0
WEST VIRGINIA	9	8
WISCONSIN	1	1
WYOMING	0	0
ALASKA	0	0
HAWAII-AM.SAMOA	0	0
W PACIFIC TERR.	0	0
PUERTO RICO	0	0
NATIONAL TOTAL	138	78

COMMUNITY PROGRAMS MANAGEMENT AND SERVICING GOALS
 THROUGH JUNE 30, 1986

COMMUNITY FACILITIES DELINQUENCY GOALS								
	COMMUNITY FACILITIES		RECREATION		WATERSHED		RESOURCE CONSER. & DEVELOPMENT	
	#DEL	GOAL	#DEL	GOAL	#DEL	GOAL	#DEL	GOAL
ALABAMA	3	1					1	1
ARIZONA			1	0			1	0
ARKANSAS							2	0
CALIFORNIA	1	1						
COLORADO	2	1	1	0				
DELAWARE								
MARYLAND			1	0				
FLORIDA								
GEORGIA								
IDAHO	1	0	2	1			2	1
ILLINOIS			1	1				
INDIANA	3	1			1	0		
IOWA	2	1						
KANSAS			3	1				
KENTUCKY			1	1				
LOUISIANA	1	1						
MAINE	2	1	1	0				
MASSACHUSETTS								
CONNECTICUT								
RHODE ISLAND								
MICHIGAN	3	1						
MINNESOTA								
MISSISSIPPI	1	0	1	0	2	1		
MISSOURI							1	
MONTANA	1	0						
NEBRASKA			1	0				
NEW JERSEY								
NEW MEXICO			1	1			2	2
NEW YORK	1	0	1	1				
NORTH CAROLINA								
NORTH DAKOTA								
OHIO			1	0				
OKLAHOMA					1	0		
OREGON			1	0			1	0
PENNSYLVANIA	1	1						
SOUTH CAROLINA	1	0	1	0				
SOUTH DAKOTA	1	0	1	0				
TENNESSEE	2	0	1	0	1	0	1	0
TEXAS	3	1	3	2				
UTAH								
NEVADA								
VERMONT								
NEW HAMPSHIRE								
VIRGIN ISLANDS								
VIRGINIA	1	0						
WASHINGTON	1	0	2	2			1	1
WEST VIRGINIA			1	0				
WISCONSIN			1	0				
WYOMING								
ALASKA								
HAWAII-AM.SAMOA							1	1
W. PACIFIC TERR.								
PUERTO RICO								
NATIONAL TOTAL	31	10	27	10	5	1	13	6

BUSINESS AND INDUSTRY PROGRAM MANAGEMENT
AND SERVICING GOALS
THROUGH JUNE 30, 1986

Introduction

The B&I loan program is designed to create and sustain employment and contribute to the economic environment in rural areas through the guarantee to lenders of loans for business and industry. This purpose is achieved by bolstering the existing private credit structure through guarantee of quality loans which will provide lasting community benefits. It is not intended that the guarantee be used for marginal or substandard credit or to bail out lenders having such loans. The program enables lenders of limited lending authority or long-term cash liquidity needs to make sound loans of greater size or longer terms than they otherwise could. It also provides the borrower an avenue for negotiation of favorable interest rates with the lender. With these purposes and facts in mind, the following goals are established.

History

See page two of this attachment for program trends and comparisons, FY 1981 to June 30, 1985.

Loan Servicing and Supervision

Business and Industry loan delinquency rates as of June 30, 1985, decreased nationally by 0.8 percent over the same period one year ago. We still need to improve servicing efforts. We realize this was a period of substantial business and industry financial realignment affecting the volume of qualified applications for B&I guarantees as well as their cash flow generation for debt servicing. The B&I portfolio of guarantees has dropped in numbers and, consequently, contributes negatively to servicing results as a percentage. Bearing these factors in mind, the attached table shows:

1. The number of delinquent borrowers as the March 31, 1985 goal.
2. The results of effort toward the 1985 goal in terms of an increase or decrease in delinquent loan numbers.
3. The number of delinquent borrowers as of June 30, 1985.
4. An estimated goal for June 30, 1986, for number of delinquent borrowers.

1257(1951)

FARMERS HOME ADMINISTRATION

BUSINESS AND INDUSTRY

PROGRAM TRENDS AND COMPARISON FY 1981 TO DATE

	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u> <u>6/30</u>
I. <u># of Borrowers (EOY)</u>	3,547	3,580	3,402	3,024	2,885
<u># behind schedule</u>	483(13.6%)	653(18.2%)	719(21.1%)	642(21.2%)	566(19.6%)
<u>\$ (Mil.) outstanding (EOY)</u>	3,094	3,272	3,375	3,242	3,176
II. <u>Loan Obligations</u>					
<u>#</u>	638	69	64	73	39
<u>\$ (mil.)</u>	652	61	82	124	50
Total Obligations FY 1981 - 6/30/85 <u># 883</u> <u>\$ (mil.) 970</u>					
III. <u>Special Servicing Actions</u>					
<u># Call Contract Actions</u>	Not Available	2	8	16	8
IV. <u>Liquidations</u>					
<u># of Total Borrowers in Liquidation</u>	Not Available	Not Available	424(12.5%)	397(13.1%)	354(12.2%)
Property in Inventory (EOY) Sales from Inventory (FY)	Not Available				

The methodology used in establishing goals for individual State Offices includes:

1. The available and projected staffing of the State Office as compared to the case load complexity.
2. Staff B&I experience as related to the program, whether as combined Community and Business Program, or whether a B&I Chief of the Business and Industry Program.
3. The type of portfolio and the economics involved in the State.
4. State delinquency as compared to national delinquency rate.
5. The complexities of the program and the loan servicing authority that has been delegated to the State Office.
6. Demographic and geographic considerations as they relate to State Office locations and FmHA regulation requirements and servicing responsibilities.

Recommended actions within the State to meet the established goals include:

1. Assign sufficient staff to accomplish servicing actions.
2. Confine appropriate staff to specific servicing activities.
3. "Earmark" definite travel funds to accomplish accelerated servicing field trips, with an overall goal of spending 75 percent of time on servicing.
4. Establish realistic objectives, tasks and scheduling to work toward meeting and exceeding the delinquency control goals for your State.
5. Encourage, require and accommodate additional commercial lending and servicing training.
6. Expedite the lender's processing of loans in bankruptcy or liquidation to maximize FmHA's recovery.
7. Required regular field trips, lender interviews and site inspections by Chief and/or Specialist on problem and delinquent accounts.

8. Review monthly the progress being made and document properly.
9. Require the lender to live up to its servicing responsibilities, especially during bankruptcy.
10. As required by the regulations, seek the advice of the Regional Attorney on all bankruptcy cases, and appropriate workouts and liquidations as specified in the General Administrative section.

Since economic conditions have improved, we expect to see a marked reduction in the number of delinquent loans within the next 12 months. The reductions are reflected as goals in the attached table. I expect each of you to review these goals and take any necessary action to be sure these goals are met or surpassed.

Loan Making

In order to improve the quality of the B & I guaranteed loan program, the following items should be given your careful attention.

1. Improve overall quality of B&I loans through increased equity requirements for existing businesses and a minimum of 20-25 percent equity requirements for new businesses.
2. Strengthen existing B&I commitments by permitting no significant changes to loan conditions.
3. High risk and high job cost enterprises do not aid in achieving B & I program goals of quality loans and improving the economic climate in rural areas.
4. Attempt to negotiate guarantees of less than 90 percent.
5. Uncollateralized personal guarantees do not strengthen a loan. Conversely, collateralized personal guarantees strengthen loans by furnishing additional collateral for the loan.
6. Consult with and work closely with the Regional Attorney on all legal issues which arise.

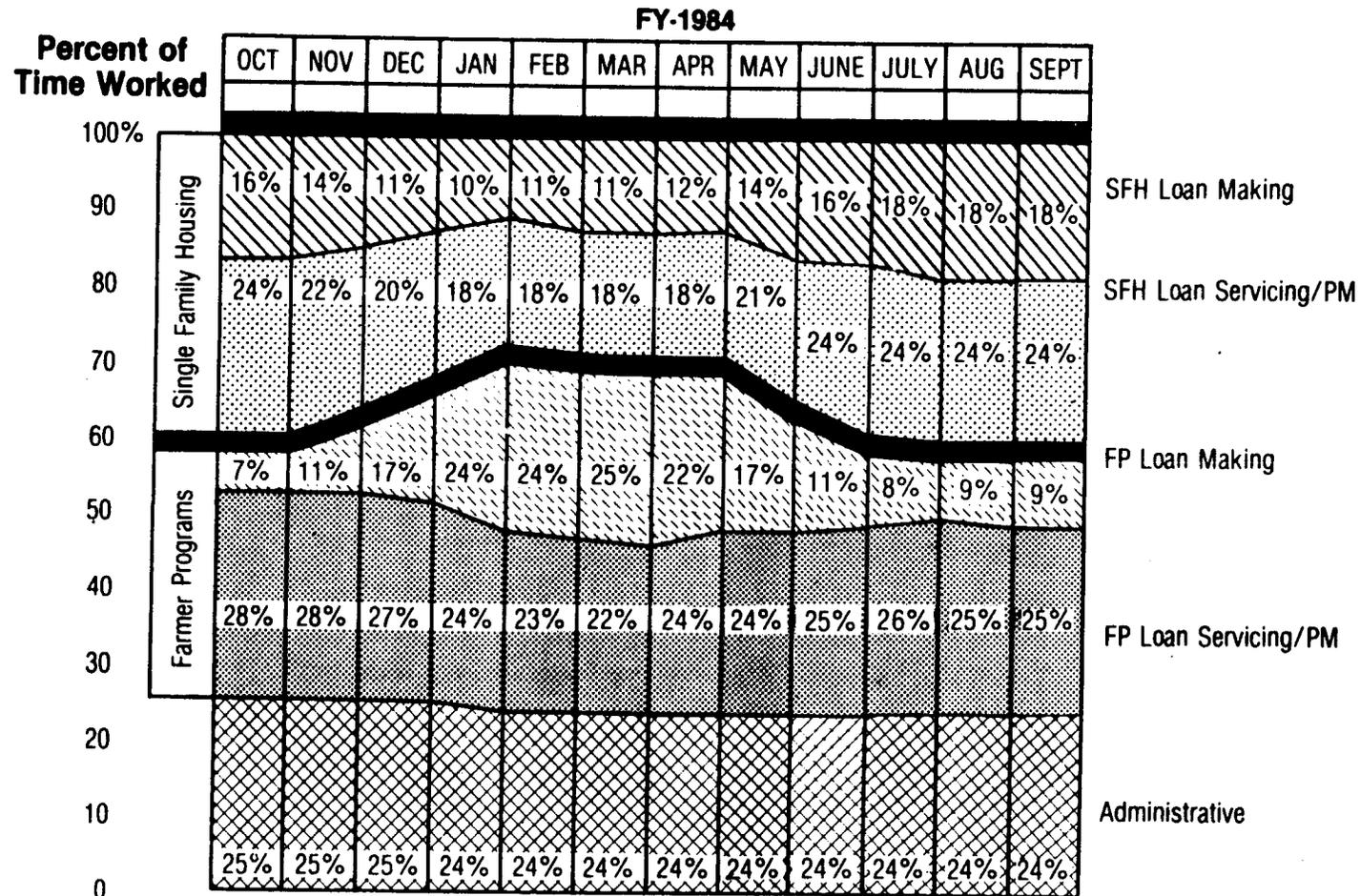
(Statistics on page five are based on the B&I quarterly report dated June 30, 1985).

Business and Industry Program Management
and Servicing Goals

State Office	Delinquency Goals for 3/31/85 in No. of Borrowers Not to Exceed	Accomplishment of Goals Above or Below	Delinquency as of 6/30/85	Delinquency Goals for 6/30/86 in No. of Borrowers Not to Exceed
			Number	
Alabama	19	-2	17	14
Alaska	1	+1	2	1
Arizona	5	0	5	3
Arkansas	15	+5	20	15
California	7	-2	5	3
Colorado	9	+5	14	9
Del/Md	2	+1	3	2
Florida	3	-1	2	1
Georgia	10	+8	18	12
Hawaii	2	+1	3	2
Idaho	6	0	6	4
Illinois	9	+1	10	7
Indiana	7	0	7	5
Iowa	6	+1	7	5
Kansas	4	+4	8	5
Kentucky	12	+1	13	10
Louisiana	50	+8	58	40
Maine	2	-1	1	1
Mass/Conn/RI	3	+1	4	3
Michigan	13	-1	12	9
Minnesota	18	-2	16	13
Mississippi	17	-4	13	10
Missouri	4	+3	7	4
Montana	6	+3	9	6
Nebraska	4	+2	6	4
New Jersey	2	-1	1	1
New Mexico	4	0	4	3
New York	20	+3	23	16
N. Carolina	21	-3	18	15
N. Dakota	18	+5	23	20
Ohio	12	-1	11	9
Oklahoma	22	+2	24	19
Oregon	6	0	6	5
Pennsylvania	4	+5	9	6
Puerto Rico	10	+9	19	15
S. Carolina	15	-4	11	9
S. Dakota	12	+6	18	16
Tennessee	20	-3	17	14
Texas	30	+8	38	30
Utah/Nev.	8	+1	9	7
VT/N.H./V.I.	10	+4	14	11
Virginia	3	-1	2	1
Washington	3	+1	4	3
W. Virginia	12	+8	20	15
Wisconsin	19	+3	22	18
Wyoming	4	+3	7	5
Total	489	+77	566	426

Farmers Home Administration: Use of Employee Time

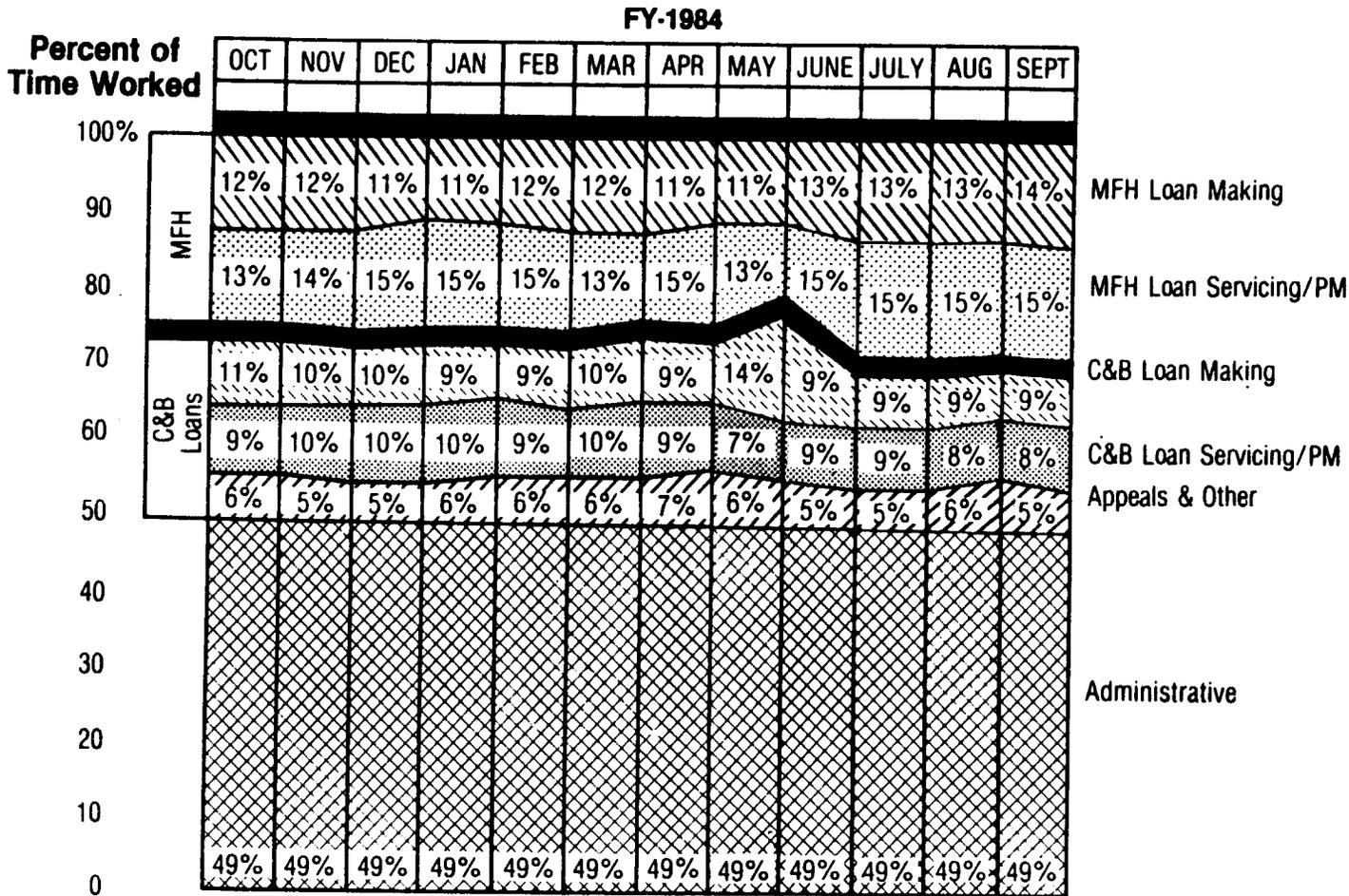
NATIONAL AVERAGE: County Office



Data Source: Prepared by RMS Staff. Based on RMS Reports 4 and 11.

Farmers Home Administration: Use of Employee Time

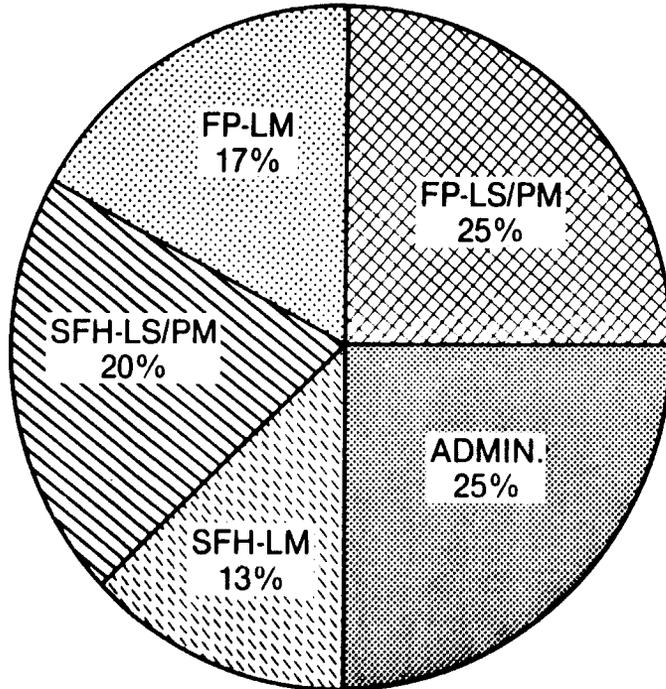
NATIONAL AVERAGE: District Offices



Data Source: Prepared by RMS Staff. Based on RMS Reports 4 and 11.

FY 1984 National Averages

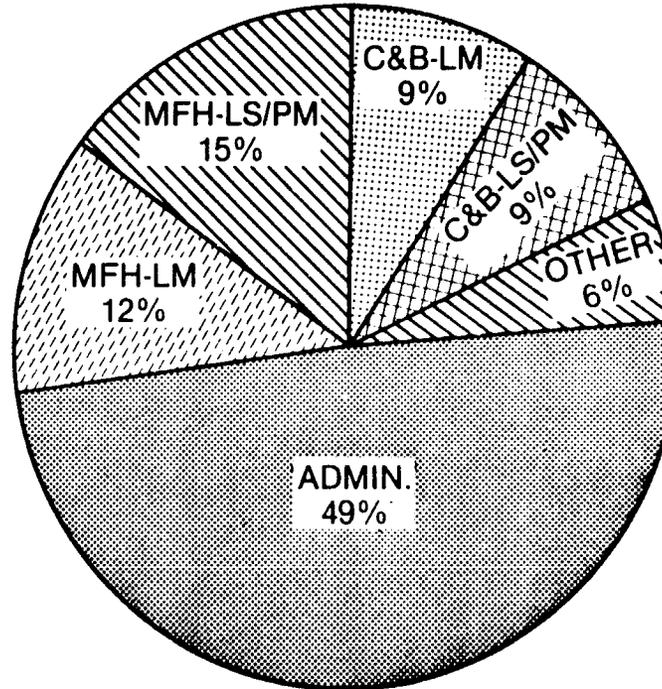
County Office



Summary

LM	30%
LS/PM	45%
Admin.	25%
	<u>100%</u>

District Office



Summary

LM	21%
LS/PM	24%
Other	6%
Admin.	49%
	<u>100%</u>

Data Source: Prepared by FPAD & MISD. Based on RMS 4 and 11.