



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1539 (1945)

February 5, 1987

SUBJECT: Rescheduling/Reamortizing of EM
Actual Loss Loans (Farmer Programs)

TO: All State Directors, State Directors-at-Large,
Farmer Programs Chiefs, District Directors, and
County Supervisors, FmHA

PURPOSE/INTENDED OUTCOME

The purpose of this Administrative Notice (AN) is to clarify the interest rates under which emergency (EM) loans made for actual losses can be rescheduled or reamortized, and to provide guidance for these actions with regard to EM loss loans initially made to applicants able to get credit elsewhere.

COMPARISON WITH PREVIOUS AN

No previous AN has been issued on this subject.

IMPLEMENTATION RESPONSIBILITIES

We have become aware of a misinterpretation of Instruction in some areas regarding the interest rate applicable when rescheduling/reamortizing EM actual loss loans involved in servicing actions. Borrowers and County Offices earlier received the advice that for reamortized or rescheduled actual loss loans, the interest rate will not be changed from that in the original note.

This, in fact, was a procedural limitation at one time. It was incorporated in regulations as FmHA Instruction 1945-D, Section 1945.168 (c)(5)(ii). That Instruction was revised by Special PN dated April 23, 1984, to delete this restriction. The correct procedure at this time is FmHA Instruction 1945-D, Section 1945.168 (c), which refers to FmHA Instruction 1951-A, Sections 1951.33 and 1951.40.

These sections provide for the interest rate to be the current interest rate in effect on the date of rescheduling/reamortizing, or the interest rate on the original promissory note, whichever is the lower rate. If the current interest rate in effect is less than the existing promissory note rate, the rate must be reduced to the current rate.

EXPIRATION DATE: January 31, 1988

FILING INSTRUCTION: Preceding
FmHA Instruction 1945-D



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FmHA Instruction 1945-D, Section 1945.156 provided for actual loss loans to credit worthy applicants, until enactment of the Food Security Act of 1985, on December 23, 1985. The interest rate for those loans was prescribed at the prevailing rate in the private market, for similar loans, which was at a much higher rate than the current rate.

Borrowers who received EM actual loss loans, as credit worthy borrowers, at the market rate of interest, and who are now in need of rescheduling or reamortizing those loans, but are presently unable to get credit from any other source, may qualify for these servicing actions.

If a borrower has a loan(s) made under this authority and a rescheduling/ reamortizing action becomes justified, as provided for under FmHA Instruction 1951-A, Sections 1951.33 or 1951.40, the current EM loan program rate (4.5 percent) must be utilized as the lower rate. However, it is required that the County Supervisor document the fact that the servicing action is not being taken to circumvent graduation requirements.



VANCE L. CLARK
Administrator