



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

February 6, 1991

FmHA AN No. 2236 (1956)

SUBJECT: Partial Cancellation of Debt for  
Chapter 12 Bankruptcies

TO: State Directors, District Directors,  
County Supervisors, Assistant Administrator,  
Finance Office

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify the cancellation of part of the Farmers Home Administration (FmHA) debt that has been discharged in a Chapter 12 Bankruptcy. The intended outcome is to improve the processing of such cases.

COMPARISON WITH PREVIOUS AN:

No other AN has been issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

When the bankruptcy judge has ordered the confirmation of the borrower's reorganization plan, the U.S. Attorney, through the Office of the General Counsel (OGC), will advise the State Director of the confirmation of the plan. The State Director will notify the Finance Office by memorandum of the terms and conditions for setting up the borrower's account for the confirmed plan. See Section 1956.57(k) of FmHA Instruction 1956-B. The State Director will attach a copy of the confirmed plan and the order of confirmation to the memorandum.

The plans usually are for a term of 3 to 5 years. If the borrower successfully completes the plan, the U.S. Attorney, through OGC, will notify the State Director that the plan is complete and if any unsecured debt has been ordered discharged.

The State Director will notify the Finance Office by memorandum of the conditions of the order of the discharge of the unsecured debt and the continuation of the secured debt, if any is remaining. A copy of the order will be attached to the memorandum. The Finance Office will cancel the discharged debt.

EXPIRATION DATE: November 30, 1991

Filing Instructions:  
Preceding FmHA  
Instructions 1956-B



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Secretary of Agriculture, Washington, D.C. 20250

Any payments received during the bankruptcy proceeding or after the successful completion of the plan (in case of long-term debt) must be applied in accordance with the plan. For example, if a payment is received specifically for the debtor's livestock debt, the field offices will need to inform the Finance Office that the payment must be applied to the loans that are secured by livestock.

If the U.S. Attorney, through OGC, notifies the State Director that the Chapter 12 is dismissed or the confirmed plan is otherwise modified, the State Director will notify the Finance Office of the dismissal or modification of the case.

If the bankruptcy is dismissed prior to the discharge of any of the debt, the Finance Office will reinstate the account and reapply any payments received during the bankruptcy proceedings.



LA VERNE AUSMAN  
Administrator