

**UNITED STATES DEPARTMENT OF AGRICULTURE**

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

**Notice FC-60**

1951-S

**For:** State and County Offices

**Interim Loan Servicing Procedures for Implementation of the  
Federal Agriculture Improvement and Reform Act of 1996 (1996 Act)**

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

*Susan Anne Kling*

**1 Overview**

**A  
Background**

As provided in the 1996 Act, certain changes took effect as of the date of enactment, April 4, 1996, and the rest were to take affect 90 days later, on July 4, 1996. Changes that became effective April 4, 1996, were provided in Notice FC-37.

The 1996 Act regulations are in the clearance process and should be published in August. DALRS and AGCREDIT are also in the process of being revised, and will be distributed on or about the date the regulations are issued.

**B  
Purpose**

This notice provides guidance for servicing accounts after July 4, 1996, until the 1996 Act regulations can be published.

**C  
Contact**

Questions should be addressed to Kim Laris, LSPMD, through the Area office.

**D  
Reminder**

State Offices must ensure that Ag Credit Teams receive loan servicing procedures.

<b>Disposal Date</b>	<b>Distribution</b>
July 1, 1997	State Offices; State Offices relay to County Offices and Ag Credit Teams

## Notice FC-60

### 2 90-Day 1996 Act Changes and Implementation

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#### A FmHA Instruction 1951-S Notification Requirements

Until the new regulations are published, County Offices will continue to notify borrowers when they are 30 and 180 days delinquent according to the existing FmHA Instruction 1951-S procedures.

**Note:** The revised procedures in Notice FC-53 shall be used to notify borrowers of FmHA Instruction 1951-S loan servicing, until the revised FmHA Instructions are released.

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#### B Revised Cash Flow Margin

The 1996 Act requires the Agency to assume that the borrower needs a cash flow margin of up to 110 percent of the amount indicated for payment of farming operating expenses, debt service obligations, and family living expenses, instead of 105 percent for debt service. DALR\$ is being revised to provide for this change. However, until the revised DALR\$ is received, primary loan servicing applications will be processed and considered as follows.

- All restructures without writedown that have been offered to the borrower, can continue to be closed as offered.
- Exhibit 1 must be completed to determine the amounts to enter in DALR\$ for the balance available and non-Farm Credit Program (FCP) debts. DALR\$ will be run using these amounts for all decisions made on primary loan servicing after July 3, 1996.
- If DALR\$ finds a feasible plan without a writedown, with a cash flow margin between 105 and 110 percent, and the borrower meets the eligibility requirements for a writedown, then FmHA Instruction, Exhibit F, must include the following statement.

"You were determined eligible for primary loan servicing without a writedown. However, changes to the Farm Bill could make you eligible to receive a writedown of debt. If you would like to be considered for a writedown, you should contact this office within 45 days from the date you received this letter. FSA will then hold your application for further consideration until the new procedures are published. If you would like to continue with the restructuring of your debt without being considered for a writedown, you should sign and return Attachment 2 within 45 days from the date you received this letter."

This statement will not be added if the cash flow margin is over 110 percent or the borrower is not eligible for a writedown.

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Continued on the next page

Notice FC-60

**2 90-Day 1996 Act Changes and Implementation (Continued)**

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**B  
Revised Cash  
Flow Margin  
(Continued)**

- If DALR\$ finds a feasible plan with a writedown, and:
  - the cash flow margin is 104 percent or less, then the offer will continue to be made
  - the cash flow margin is 105 percent, then processing of the application must be suspended until the revised DALR\$ is received.

Note: In this case, the borrower shall be notified that the 1996 Act provided for FSA to attempt to write down a borrower's debt to an amount that will provide up to 110 percent of the amount needed for payment of family living and farm operating expenses, and debt repayment. Therefore, a determination cannot be made on the borrower's request for primary loan servicing until the revised procedures are made available.

- If DALR\$ approved after July 3, 1996, shows the borrower may be eligible for buyout, then the buyout can be offered, but at market value instead of net recovery value. See subparagraph C.

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Continued on the next page

Notice FC-60

**2 90-Day 1996 Act Changes and Implementation (Continued)**

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**C**

**Buyout Changes**

According to Notice FC-59, all buyouts approved after July 3, 1996, will be at the current market value, less prior liens, instead of net recovery value.

FmHA Instruction 1951-S, Exhibit A, Attachments 5, 5-A, 6, and 6-A, have been revised and made part of this notice as Exhibit 2, for offering buyout at market value. Refer to Notice FC-53 for revising AGCREDIT letters.

If the borrower buys out at the current market value, the following conditions apply.

- The DALR\$ Report must be modified to offer "... buyout at market value of \$ \_\_\_\_\_, minus prior liens" instead of net recovery buyout.
- The amount of prior liens will be verified before closing the buyout and deducted from the market value for the buyout.
- No recapture agreement or real estate mortgage or deed of trust will be taken.
- The existing security instruments will be released and the notes returned to the borrower marked "Satisfied by Approved Market Value Buyout", after verifying that the buyout payment has been processed in the Finance Office.
- The ADPS transaction to process the market value buyout is not yet available. File a copy of the DALR\$ Report in a pending folder until notified of processing capabilities. Flag the account 51-S in the interim.

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Continued on the next page

## Notice FC-60

### 2 90-Day 1996 Act Changes and Implementation (Continued)

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#### D

##### **Payment of Interest as a Condition of Restructuring**

After July 3, 1996, current borrowers must, as a condition of restructuring, pay a portion of the interest due on their debt. The portion due will be based on the borrower's ability to pay as determined by thoroughly analyzing the farm operation, including any off-farm income, taking into consideration interest paid throughout the year. The payment of interest must be paid before the restructured promissory notes are signed.

Nonmonetary default borrowers who are not delinquent must also pay a portion of the interest due if they are being offered restructuring contingent upon the default being cured.

Any additional interest to be paid must be identified on FmHA Instruction 1951-S, Exhibit B or F, as applicable, as a condition of restructuring.

The unpaid interest balance entered in DALR\$ must be less the amount the borrower must pay on the interest due. The summary page of the DALR\$ report must be noted to indicate that the unpaid balance reflects the balance remaining after the payment of \$\_\_\_\_\_ is paid. DALR\$ may have to be rerun if the payment is received before the planned restructured date.

If the borrower does not have the ability to pay any portion due, the loan restructuring will be denied. When the revised FmHA Instruction 1951-S is published, if the current borrower later becomes 60 calendar days delinquent, loan servicing notices will be mailed to the borrower, and the borrower may again request loan servicing. This condition does not apply to delinquent borrowers.

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#### E

##### **Changes to FmHA Instruction 1951-S Conservation Easement Debt Cancellation Program**

After July 3, 1996, easements will no longer be placed on property under the FmHA Instruction 1951-S, Exhibit H, Conservation Easement Program. Instead, borrowers will be given the opportunity to enter into a "contract" with the Government for consideration in exchange for debt writeoff.

Until the new DALR\$ is received, conservation contract requests cannot be processed. Borrowers with pending conservation easement requests shall be notified that certain provisions in the Conservation Easement Program were revised as a result of the 1996 Act, and that until revised procedures are published, their request for a conservation easement or primary loan servicing cannot be processed.

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**3 Further Clarification of Changes Effective as of the Date of Enactment (April 4, 1996)**

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**A  
Approving Debt  
Settlements for  
Borrowers Who  
Have Received  
Previous Debt  
Forgiveness**

Based on the 1996 Act, borrowers are only entitled to debt forgiveness on a direct loan 1 time. There are no exceptions. However, the following debt settlements can be processed outside statutory authorities, even though a previous debt forgiveness has been received.

- Cancellation when debt is discharged in bankruptcy. Under these circumstances, the court authorized debt forgiveness, not FSA. SED can continue to approve and process cancelations because of bankruptcy. As required in FSA instructions, all security must be liquidated before the whole account is canceled.
- Debt settlements on all loans, program and nonprogram, may be approved under FmHA Instruction 1951-J, Section 1951.469 (c). This approval is based on provisions in the Debt Collection Act. Settlement of amount in excess of \$100,000 must be recommended to the Department of Justice through OGC.
- Settlement of debt approved by the U.S. Attorney.

**Note:** All debt settlements under this section will restrict the borrower from receiving new FCP loans, and may restrict other forms of debt forgiveness in the future.

If a debt settlement cannot be approved, the account will be placed in Collection-Only after all security is liquidated and all efforts to collect the debt have been exhausted.

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**B  
Subordination of  
Farm Ownership  
Security for  
Refinancing**

Since refinancing is no longer an authorized direct Farm Ownership (FO) loan purpose, subordinations for refinancing purposes of direct FO loan security instruments, such as mortgages and deeds of trust, can no longer be approved until the existing regulations are revised. Until that time, all subordinations for refinancing that affect the security instrument of FO loan can only be approved if they are submitted to LSPMD, with a documented request for an Administrator's exception, as required by FmHA Instruction 1965-A, Section 1965.35.

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Continued on the next page

Notice FC-60

**3 Further Clarification of Changes Effective as of the Date of Enactment (April 4, 1996)**  
**(Continued)**

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**C**

**Subordination of  
Operating Loan  
Security for  
Refinancing**

Refinancing is still an authorized Direct Operating (OL) loan purpose; however, a subordination can only be approved for refinancing against OL security instruments if the borrower has not had a direct or guaranteed OL refinanced more than 4 times previously and one of the following conditions is met:

- the borrower has a direct loan under the CONACT and has suffered a qualifying physical or production loss because of a major disaster declared by the President or a natural disaster designated by the Secretary.
- a non-USDA debt is being refinanced.

NOTE: Refinancing is not restructuring under loan servicing authorities.

If the request for a subordination for refinancing purposes of OL security instruments does not meet the requirements in this subparagraph, these requests cannot be approved until existing regulations are revised. Until that time, those requests can only be approved if they are submitted to LSPMD with a documented request for an Administrator's exception, as required by FmHA Instruction 1962-A, Section 1962.3(c).

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**Notice FC-60**

**Worksheet for Calculating the Balance Available and Non-FCP Debt for DALRS**

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(1) Calculate Adjusted Balance Available:

	1st Year	After Deferral
Balance Available from Table J, item 16:	\$ _____	\$ _____
Plus: Total Farm Operating Expense from Table G:	+ \$ _____	+ \$ _____
Minus: Operating Interest Expense from Table G:	- \$ _____	- \$ _____
Plus: Total Family Living Expense from Table F:	+ \$ _____	+ \$ _____
Adjusted Balance Available:	\$ _____	\$ _____

(2) Calculate the Non-FCP Debt:

	1st Year	After Deferral
Non-FCP Debt Payments:	\$ _____	\$ _____
Plus: Total Farm Operating Expense from Table G:	+ \$ _____	+ \$ _____
Minus: Operating Interest Expense from Table G:	- \$ _____	- \$ _____
Plus: Total Family Living Expense from Table F:	+ \$ _____	+ \$ _____
Non-FCP Debt Payments, Family Living and Adjusted Farm Operating Expense	\$ _____	\$ _____

Note: The total figures for the Adjusted Balance Available and the Non-FCP Debt Payments, Family Living and Adjusted Farm Operating Expense are entered into the appropriate fields located in the Basic Borrower Information Screen in the DALRS software program.

**FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value**

This exhibit contains the following FmHA Instruction 1951-S letters that must be used to offer buyout at the current market value:

- Attachment 5
- Attachment 5-A
- Attachment 6
- Attachment 6-A.

Note: See Notice FC-53 for revising these letters in AGCREDIT.

FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 5, page 1.

Note to County Credit Supervisor Official:

This attachment is used when notifying a borrower who returned Attachment 2 of Exhibit A, that FmHA cannot provide the assistance requested with the Primary Services Programs.

FmHA Instruction 1951-S  
Exhibit A to Subpart B  
Attachment 5  
Page 1

NOTICE OF INTENT TO ACCELERATE OR TO COMMENCE ACCELERATION AND NOTICE OF BORROWERS' RIGHTS

Name and Address

Dear (Borrower's Name):

You are not eligible for debt restructuring.

I. [ ] FmHA has reviewed your application for primary loan servicing (debt restructuring) and based upon the information available, you are not eligible.

~~You cannot get primary loan servicing because your Farm and home plan does not show you can pay all your family living expenses, farm operating expenses, and scheduled debt repayments even with FmHA help.~~

~~To get primary loan servicing, your Farm and home plan must show you can pay that at least \$ \_\_\_\_\_ per year.~~

~~NOTE: The attached computer printout summarizes FmHA's calculations based on your application shows that in order to develop a feasible plan and receive primary loan servicing you would need to increase your cash available to pay your debts by \$ \_\_\_\_\_.~~

II. [ ] FmHA has reviewed your application and your case file. You have broken your agreement with FmHA. Your Farm and home plan shows you can pay all of your family living expenses, farm operating expenses, and scheduled debt repayments if FmHA uses primary loan servicing, softened timber, and conservation easement programs to restructure your loans.

~~But you have broken your loan agreements with FmHA.~~

You have broken loan agreements with FmHA in the following way:

[ ] You are \$ \_\_\_\_\_ behind in your scheduled loan payments.

[ ] You have sold or otherwise disposed of property you used to secure the FmHA loan without proper approval from FmHA. This property is \_\_\_\_\_

(Describe property.)

FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 5, page 3.

FmHA Instruction 1951-S  
Exhibit A to Subpart 5  
Attachment 5  
Page 3

To ask for this meeting, check the box #1 on the Response Form (Attachment 6).

Time limit: You must return the "Response Form" to the county FmHA office within 15 days from the date you get this letter. You should also call the county office to set up the meeting.

2) ~~Request an appeal hearing.~~

You may ~~also request an appeal hearing to contest FmHA's~~ decision. At the ~~hearing~~ appeal, you may challenge the ways FmHA says you broke your loan agreements. You may also challenge FmHA's decision that you cannot present a feasible Farm and Home Plan for primary loan servicing if your notice states FmHA believes you cannot present a feasible plan.

You can appear at the ~~appeal hearing~~ and present witnesses and documents to support your position.

You may also ask for an independent appraisal of your property used to secure the FmHA loan. This independent appraisal may be important if you think FmHA has set too high or too low a value on your property when it considered you for primary loan servicing. You will have to pay for this appraisal. FmHA will give you three names of appraisers to choose from. Check box #30 on the "Response Form" if you want the independent appraisal.

If you request a meeting with the FmHA credit official or county official, you will be given another chance to appeal after that meeting. If you do not want to request the meeting but do want to appeal, you must ~~say so on the enclosed "Response Form."~~ Complete the attached form FmHA 1950-1, or provide the same information in writing, and mail it to the National Appeals Division at the address shown on the form. A copy of your request should be sent to the FmHA county office. Your request for an appeal must be postmarked no later than 30 days from the date you received this notice.

7-130  
8:10  
6  
6-178

FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 5, page 5.

FmHA Instruction 1951-S  
 Exhibit A in Subject 3  
 Attachment 5  
 Page 5

4) Consideration for Homestead Protection and Farmland  
 Leaseback/Buyback

After all appeals are concluded, and your time to buy out, if eligible, has expired, ~~if you do not appear, or if you do not win your appeal and you do not buy out the loan at recovery value,~~ FmFASA will automatically consider you for Homestead protection, if your home is mortgaged, ~~in FFA and Farmland Leaseback/Buyback.~~ (You applied for these programs when you applied for primary loan servicing (debt restructuring).) FmFASA will notify you that it will be considering you for these programs and will request some additional information when the time comes to consider you.

VI. WHAT HAPPENS IF YOU DO NOT RESPOND CURE YOUR DEFAULT OR BUYOUT?

If you do not cure your default or buyout, or respond to this letter by completing and returning the enclosed Attachment 6, "Response to Notice of Intent to Accelerate or Continue with Acceleration and Notice of Borrowers' Rights," FmFASA will accelerate or continue with acceleration of your FmFASA debts. This is very severe action. FmFASA will take one of the actions listed in Section IVII above to collect on your debt.

The Right Not to Be Discriminated Against

Federal law does not allow discrimination of any kind. You cannot be denied a loan because of your race, color, religion, national origin, sex, marital status, handicap, or age (if you can legally sign a contract.) You cannot be denied a loan because all or part of your income is from a public assistance program. If you believe you have been discriminated against for any of these reasons, you can write the Secretary of Agriculture, Washington, D.C. 20250.

You cannot be denied a loan because you exercised your rights under the Consumer Credit Protection Act. You must have exercised these rights in good faith. The Federal Agency responsible for seeing this law is obeyed is the Federal Trade Commission, Equal Credit Opportunity, Washington, DC 20580.

Sincerely,

County Supervisor  
 Farmers Home Administration  
 United States Department of Agriculture

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FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 5-A, page 1.

NOTE TO CREDIT OFFICIAL/County Supervisor:

This attachment is used when notifying a borrower who returned Attachment 2 or 4 of Exhibit A, that FSA/FMHA cannot provide the assistance requested with the Primary Services Programs.

FmHA Instruction 1951-S  
Exhibit A to Subpart B  
Attachment 5 A  
Page 1

NOTICE OF INTENT TO ACCELERATE OR TO CONTINUE ACCELERATION  
AND NOTICE OF BORROWERS' RIGHTS

(TO BE USED FOR APPLICATIONS SUBMITTED ON OR AFTER NOVEMBER 26, 1990)

Name and Address:

Dear (Borrower's Name):

You are not eligible for debt restructuring.

I.  FSA/FMHA has reviewed your application for primary loan servicing (debt restructuring) and based upon the information available, you are not eligible.

~~You cannot get primary loan servicing because your Farm and Home Plan does not show you can pay all your family living expenses, farm operating expenses, and scheduled debt repayments even with FSA/FMHA help.~~

~~To get primary loan servicing, your Farm and Home Plan must show you can pay debt at least \$ \_\_\_\_\_ per year.~~

~~NOTE: The attached computer printout summarizes FSA/FMHA calculations based on your application showing that in order to develop a feasible plan and receive primary loan servicing, you would need to increase your cash available to pay your debts by \$ \_\_\_\_\_.~~

II.  FSA/FMHA has reviewed your application and your case file. Your Farm and Home Plans shows you can pay all of your family living expenses, farm operating expenses, and scheduled debt repayments if FSA/FMHA uses primary loan servicing, softwood timber, and conservation consent programs to restructure your loans.

~~But you have not acted in good faith.~~

~~You have broken your loan agreements with FSA/FMHA.~~

~~You have broken loan agreements with FSA/FMHA in the following ways:~~

You are \$ \_\_\_\_\_ behind in your scheduled loan payments.

FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 5-A, page 2.

FmHA Instruction 1951-S  
Exhibit A to Subpart B  
Attachment 5-A  
Page 2

[ ] You have sold or gotten rid of, ~~been~~ disposed of property you used to secure the ~~FSA~~ loan without prior approval from ~~FSA~~. You have not acted in good faith. This property is \_\_\_\_\_

(Describe property.)

[ ] You have ~~stopped~~ ~~own~~ ~~are~~ farming or ranching.

[ ] You have \_\_\_\_\_

III. [ ] ~~FSA~~ has reviewed your application and case file. You have sufficient nonessential assets to bring your ~~FSA~~ account current. ~~The net recovery value of your collateral is \_\_\_\_\_, the net recovery value (NRV) of the nonessential assets is \$\_\_\_\_\_.~~ Your nonessential assets and their NRVs are as follows:

Nonessential Assets	NRV
_____	_____
_____	_____
_____	_____

The NRV is the current appraised market value minus any prior liens and any costs of sale such as taxes due, commissions and advertising costs.

The amount needed to bring your ~~FSA~~ account current is \$\_\_\_\_\_.

If you intend to sell the nonessential assets or borrow against their value to obtain the money to pay ~~FSA~~ current, you must do so immediately so that you can pay ~~FSA~~ current within 90 days from the date you receive this letter.

If you do not pay ~~FSA~~ current within 90 days or appeal the adverse decision (see Part VI of this notice), ~~FSA~~ will accelerate your account (see Part VI). If you appeal the decision, the 90 day period to pay ~~FSA~~ current will not start until all the appeals are completed. You must check the appropriate block on the response form and return it to ~~FSA~~ within the specified time limit. Since ~~FSA~~ believes you have sufficient nonessential assets to bring your ~~FSA~~ account current, you are not now eligible for an ~~offer~~ buyout (option #2 on Attachment 5-A). If you disagree, see Part VI for an explanation of your rights.

FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 5-A, page 3.

FmHA Instruction 1951-S  
 Exhibit A to Subpart 5  
 Attachment 5-A  
 Page 3

IV.  You have already received your lifetime limit of an amount ~~of~~ term of debt forgiveness on another direct farm loan ~~under the number of~~ payments and/or buyouts for which you are entitled.  
 (Revised 05-26-93, 11/20/93)

Your written ~~and/or~~ writeoff of debt exceeded your lifetime limit of \$500,000. ~~(Revised 05-26-93, 11/20/93)~~

V. FSA/FMHA Intends to Foreclose

FSA/FMHA will accelerate your loan because you are not eligible for primary loan servicing.

FSA/FMHA will take any action to collect the money you owe.

FSA/FMHA may:

- 1) Repossess and sell your equipment, crops, livestock, livestock products, and other personal property used to secure your FSA/FMHA loans;
- 2) Foreclose and sell your real estate mortgaged to FSA/FMHA. This could include your dwelling even if your housing ~~account is current~~ if it was used to secure your farm loans;
- 3) Stop any release of money from the sale of crops, livestock, livestock products, or other property you need to live and operate your farm;
- 4) Take by administrative offset any money you are owed by Federal agencies;
- 5) File lawsuits to collect money you owe to FSA/FMHA.

VI. WHAT YOU CAN DO TO STOP FORECLOSURE

Before FSA/FMHA can take action against you, you must:

- 1) Pay your FSA/FMHA account current.
- 2) Request a meeting with the FSA/FMHA credit official ~~county official~~.

If you disagree with FSA/FMHA's decision that you broke your loan agreement or the decision not to give you debt restructuring, you should request a meeting with the county FSA/FMHA credit official. The credit official ~~county official~~ can explain the FSA/FMHA decision. You can also present changes in your Farm and Home Plan which may show that you can make the amount of payment listed above in Section I.



FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 5-A, page 5.

FmHA Instruction 1951-S  
 Exhibit A to Subpart 5  
 Attachment 5-A  
 Page 5

~~If you want to request a meeting and appeal at the same time, you must request the meeting on the "Response Form" and an appeal on Form FmHA 1200-1, or similar document. You may request both the meeting and the appeal hearing on the "Response Form." Check box #2 on the "Response Form" to request an appeal hearing. If you ask for just the appeal hearing, you must return the "Response Form" to FmHA within 20 days of the date you received the letter. If you are appealing an appraisal, you should, if possible, submit a copy of your independent appraisal to the hearing officer and the County supervisor prior to the appeal hearing.~~

4) Buy Out the Loan at Recovery the Current Market Value.

~~You have this option only if the recovery value is greater than the value of the restructured loan(s), you cannot repay your FSA/FMHA debt due to circumstances beyond your control, and you have acted in good faith and tried to keep your loan agreements with FSA/FMHA. The recovery value in this case is \$ \_\_\_\_\_ . The restructured loan value is \$ \_\_\_\_\_ .~~

~~In addition, buyout is subject to certain lifetime limitations regarding the maximum amount and number of benefits that can be received. A further explanation of these limits can be found in the Primary and Preservation Loan Service and Debt Settlement Program Purpose notice which was sent to you earlier. Revised 05-25-92, 20 2024~~

~~You (may) or (may not) buy out your FSA/FMHA ~~debt~~ at the recovery current market value of the property securing the loan and any nonessential assets in the amount of \$ \_\_\_\_\_, minus prior liens. The recovery value is \$ \_\_\_\_\_ . The restructured loan(s) value is \$ \_\_\_\_\_ .~~

~~Note to credit official/County Supervisor~~  
 Circle the appropriate entry.

~~NOTE: The attached computer printout summarizes FSA/FMHA's calculations.~~

~~If you are eligible and pay the recovery value, FSA/FMHA will write off the rest of your debt up to \$300,000. If you are eligible to pay the recovery value, FmHA will require you to sign a buyout agreement. This agreement would ~~not~~ require you to pay the difference between the recovery value and the ~~current~~ market value of your real estate securing the loan if you sell it within 20 years of the agreement of the agreement. FmHA can never recapture more than it wrote off.~~

## FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 5-A, page 6.

FmHA Instruction 1951-S  
Exhibit A to Subpart 3  
Attachment 5-A  
Page 6

time limit. If you are eligible and want to buy out your ~~loan~~ loan at the ~~recovery~~ recovery market value, you must pay ~~FSAPMHA~~ FSAPMHA within 90 days from the date you receive this letter. You must pay ~~FSAPMHA~~ FSAPMHA in cash, money order, or certified check.

If you appeal ~~FSAPMHA's~~ FSAPMHA's adverse decision, the 90-day period to buy out at ~~recovery~~ recovery value will not start until all of the appeals are completed. Check box #3 on the "Response Form" if you want to buy out at ~~recovery~~ recovery value.

5) ~~Consideration for Homestead Protection, Farmland  
Leaseback/Buyback, and Debt Settlement.~~

~~If you do not appeal, or if you do not win your appeal and you do  
not buy out the loan at recovery value, after all appeals are  
concluded and your time to buyout, if eligible, has expired, FSAPMHA  
will automatically consider you for Homestead protection if your  
home is mortgaged to FSAPMHA Farmland Leaseback/Buyback. (You  
applied for these programs when you applied for primary loan  
servicing loan restructuring.) FSAPMHA will notify you that it  
will be considering you for these programs and will request some  
add'l info. information when the time comes to consider you. If you  
applied for Debt Settlement by returning Form FmHA 1950-1, will also  
consider you for this option now at this time. If you did not apply  
for Debt Settlement before, you can apply now. Copies of Form FmHA  
1950-1 are available at your FSAPMHA County Office.~~

VII. WHAT HAPPENS IF YOU DO NOT RESPOND CURE THE DEFAULT OR BUYOUT?

~~If you do not cure the default or buyout, or if you do not respond to  
this letter by completing and returning the enclosed Attachment 5-A,  
"Response to Notice of Intent to Accelerate or Continue with  
Acceleration and Notice of Borrowers' Rights," FSAPMHA will accelerate  
or continue with acceleration of your FSAPMHA debts. This is a very  
severe action. FSAPMHA will take any of the actions listed in Section V  
above to collect on your debt.~~

The Right Not to Be Discriminated Against

Federal law does not allow discrimination of any kind. You cannot be  
denied a loan because of your race, color, religion, national origin,  
sex, marital status, handicap, or age (if you can legally sign a  
contract). You cannot be denied a loan because all or part of your  
income is from a public assistance program. If you believe you have  
been discriminated ~~against~~ against for any of these reasons, you can write the  
Secretary of Agriculture, Washington, D.C. 20250.

FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 5-A, page 7.

FmHA Instruction 1951 S  
Exhibit A to Subpart B  
Attachment 5-A  
Page 7

You cannot be denied a loan because you exercised your rights under the Consumer Credit Protection Act. You must have exercised these rights in good faith. The Federal Agency responsible for seeing this law is obeyed is the Federal Trade Commission, ~~Equal Credit Opportunity~~ Washington, DC 20580.

Sincerely,

~~County-Secretary~~  
~~Farmers Home Administration~~  
~~United States Department of Agriculture~~

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FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 6.

Note to credit officials, County Supervisors:  
This attachment will always be sent with  
Attachment 5 and Form FmHA 1900-1

FmHA Instruction 1951-S  
Exhibit A to Subpart 8  
Attachment 6

RESPONSE TO NOTICE INFORMING ME OF FSA/FMHA'S INTENT TO ACCELERATE OR  
CONTINUE WITH ACCELERATION AND NOTICE OF MY RIGHTS

TO: County Supervisor, ~~Farmer Home Administration Service Agency~~

FROM: \_\_\_\_\_  
(Please print your name and address.)

I have read the notice informing me of FSA/FMHA's intent to accelerate or  
continue with acceleration of my loan which I received with this response  
form.

I want to:

(Check appropriate box or boxes.)

1) Request a meeting with an FSA/FMHA credit official/county official.

My current telephone number is \_\_\_\_\_.

I understand that I do not lose my appeal rights by asking for this  
meeting.

2) Request an appeal hearing.  
I understand that I will be contacted by FSA's National Appeals  
Staff to set up the appeal hearing date and to give me  
information.

3) Request that an independent appraisal of my property that secures  
the FSA/FMHA loan be.

I understand that I must pay for this appraisal. I understand that  
the FSA credit official/appeal hearing officer will give me the  
names of three appraisers, from which I must choose one.

4) Pay out my debts at the recovery/current market value.

I understand that I must pay FSA/FMHA \$ \_\_\_\_\_, minus  
prior loans, in cash, certified check, or money order. I understand  
that I must pay this to FSA/FMHA within 45 days of the date I  
received this letter, or if I appeal, I must pay within 45 days from  
the end of the adverse decision on appeal. I understand that if I  
pay this amount FSA/FMHA will write off the rest of my debt.

I understand that if I want to appeal FSA's decision to accelerate my loan, I  
must complete the attached Form FmHA 1900-1, or provide the same information  
in writing, and mail it to the National Appeals Division at the address shown  
on the form. I should also send the FSA county office a copy of my appeal  
request. I understand that I will be contacted by the National Appeals  
Staff on to set up the appeal hearing date and give me more information. My  
request for an appeal must be postmarked no later than 30 days from the date I  
received this notice.

\_\_\_\_\_  
Borrower's signature

\_\_\_\_\_  
Date

FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 6-A, page 1.

Note to ~~credit official/County Supervisor:~~

This attachment will always be sent with Attachment 5 A and Form FmHA 1900-2

FmHA Instruction 1951-S  
Exhibit A to Subpart 5  
Attachment 6-A

**RESPONSE TO NOTICE INFORMING ME OF FmHA'S INTENT TO ACCELERATE OR CONTINUE WITH ACCELERATION AND NOTICE OF MY RIGHTS  
(TO BE USED FOR APPLICATION SUBMITTED ON OR AFTER NOVEMBER 28, 1990)**

TO: ~~County Supervisor, Farmers Home Administration Service Agency~~

FROM: \_\_\_\_\_  
(Please print your name and address.)

I have read the notice informing me of FmHA's intent to accelerate or continue with acceleration of my loan which I received with this response form.

I want to:

[Check appropriate box or boxes.]

(1) Request a meeting with an ~~FmHA credit official/county official.~~

I must return this "Response Form" within 30 days to request a meeting.

My current telephone number is \_\_\_\_\_.

I understand that I do not lose my appeal rights by asking for this meeting.

(2) ~~Request an appeal hearing.~~

I must return this "Response Form" within 30 days to request a hearing.

~~I understand that I will be contacted by FmHA's National Appeals Staff to set up the appeal hearing date and to give more information.~~

~~If possible, I should provide the County Supervisor and the hearing officer a copy of my independent appraisal prior to the appeal hearing if I am requesting an appeal of the appraisal.~~

(3) Request an independent appraisal of my property including any non-real estate assets.

FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 6-A, page 2.

FmHA Instruction 1951-S  
Exhibit A to Subpart E  
Attachment 6-A  
Page 2

I must return this "Response Form" within 30 days to request an independent appraisal.

I understand that I must pay for this appraisal. I understand that the FSA/FmHA ~~County Supervisor~~ will give me names of three appraisers, from which I must choose one if I am also requesting an appeal.

1. 43) Buy out my loan(s) at the ~~sovereign~~ current market value.

I understand that I must pay FSA/FmHA \$ \_\_\_\_\_, ~~minus~~ prior ~~loan~~ in cash, certified check, or money order. I understand that I must pay this to FSA/FmHA within 90 days of the date I received this letter, or if I appeal the FSA/FmHA decision, I must pay within 90 days from the end of the ~~adverse~~ decision on appeal of the FSA/FmHA decision.

1. 44) Pay my FSA/FmHA account current.

I understand that I must pay FSA/FmHA \$ \_\_\_\_\_ to pay my account current. I will pay this amount to FSA/FmHA within 90 days of the date I received this letter, or if I appeal the FSA/FmHA decision, I will pay within 90 days from the end of the appeal ~~process~~ of the FSA/FmHA decision. I understand that when I pay this amount FSA/FmHA will continue with my account.

FmHA Instruction 1951-S, Exhibit A Attachments for Offering Buyout at Market Value (Continued)

Following is a copy of FmHA Instruction 1951-S, Exhibit A, Attachment 6-A, page 2.

FmHA Instruction 1951-S  
Exhibit A to Subpart S  
Attachment 6-A  
 Page 2

I understand that if I want to appeal FSA's decision to accelerate my loan, I  
must complete the attached Form FmHA 1900-1, or provide the same information  
in writing, and mail it to the National Appeals Division at the address shown  
on the form. I must also send the FSA county office a copy of my appeal  
request. I understand that I will be contacted by the National Appeals  
Division to set an appeal hearing date and give me more information. My  
request for an appeal must be postmarked no later than 30 days from the date I  
received this notice.

\_\_\_\_\_  
 Borrower's signature

\_\_\_\_\_  
 Date

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