

UNITED STATES DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

WASHINGTON, D.C. 20250

January 15, 1981

SUBJECT: Servicing of Insured EE Loans

TO: All State Directors, Farmer Program Chiefs,  
District Directors, County Supervisors,  
and Director, National Finance Office

On April 4, 1980, all State Directors were advised by AN No. 407(465) to send all cases involving a transfer and assumption of economic emergency (EE) loans to the National Office for review and authorization. This action was deemed necessary since FmHA Instruction 465.1 does not explicitly address the servicing of EE loans.

FmHA Instructions 1962-A and 465.1 give appropriate FmHA personnel the authority to execute and/or carry out most of the actions that are required to adequately service EE loans. This AN sets forth those actions which are NOT authorized under the present regulations and require National Office review.

OPERATING PURPOSES:

FmHA Instruction 1962-A delegates the necessary authority to service EE loans which are secured by chattels. This Instruction does not specify particular loan types. Instead, it refers to general servicing, care, and liquidation of FmHA chattel security. Therefore, all authorities and procedures outlined within FmHA Instruction 1962-A can be applied to the servicing of EE loans.

An EE loan secured by chattel property will be transferred and assumed in accordance with Section 1962.34. Section 1962.34 (b) (3) (i), which refers to interest rates charged on transfers to ineligible applicants, does not cover EE type loans. The current EE loan interest rate in effect at the time of approval of the transfer will be the interest rate charged to the transferee.

REAL ESTATE PURPOSES:

FmHA Instruction 465.1 specifies particular loan types in certain paragraphs. Even though EE loans are not specifically mentioned in these paragraphs, they can be serviced under these paragraphs as outlined below.

EXPIRATION DATE: September 30, 1981

FILING INSTRUCTION: Preceding  
FmHA Instruction 465.1

Paragraph III D 2 a and b does NOT authorize approval of a subordination on real estate securing an EE loan for the purpose of increasing the amount of a prior lien or permitting a new prior lien. In cases of this nature, the requested subordination must be forwarded to the National Office for review and authorization. However, paragraph III D 2 b DOES authorize the subordination of an EE lien for the purpose of increasing the amount of a prior lien or permitting a new prior lien if the borrower requesting the subordination is also an indebted FO borrower. Such a subordination of the FO and the EE liens may be approved for any purpose for which an FO loan can be made.

If the purpose of the subordination request does not comply with paragraph III D 1 or if the subordination request does not involve an indebted FO borrower, then National Office authorization must be obtained before the request can be approved. The State Director must include the determinations listed in paragraph XXIV in any submission of this nature to the National Office. In these cases, authorization will be given for any purpose for which an EE loan may be made and/or for development or enlargement purposes if necessary to carry out the objectives of the EE loan.

Paragraph XVI A authorizes the State Director to approve releases of real estate taken as additional security. This paragraph, in the case of EE loans made for operating purposes which are secured by crops, chattels, livestock, and real estate, permits the release of the real estate lien only when the real estate was taken as additional security. It must be determined that the remaining security will be adequate to secure the EE loan balance(s), and that the other provisions of paragraph XVI A are met.

It has been determined that paragraph XVIII A authorizes County Supervisors, District Directors, and State Directors to approve transfers with assumption of EE loans to eligible and ineligible transferees. Authorization to approve transfers with assumption of FmHA accounts to eligible transferees must be submitted to the National Office when the secured debts EXCEED \$225,000 as outlined in paragraph XVIII A. State Directors have authority to approve transfers and assumptions of EE loans to INELIGIBLE transferees regardless of the amount of outstanding debts.