



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

January 13, 1984

■ SUBJECT: Servicing Insured and Guaranteed EE Loans

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

This AN replaces AN 905 (465), issued September 26, 1983.

Effective December 22, 1983, Insured EE loans may be transferred and assumed at eligible rates and terms in accordance with Section 1945.112 of FmHA Instruction 1945-C and paragraph XVIII of FmHA Instruction 465.1. Guaranteed EE loans may also be transferred and assumed by those applicants determined eligible in accordance with Section 1980.512 of FmHA Instruction 1980-F. Insured EE loans may be transferred and assumed by ineligible applicants at rates and terms prescribed in Section 1962.34(b) of FmHA Instruction 1962-A and paragraph XVIII D of FmHA Instruction 465.1. Guaranteed EE loans CANNOT be transferred and assumed at ineligible rates and terms.

FmHA Instructions 1962-A, 1951-A, and 465.1, governing insured loans, and FmHA Instructions 1980-A and 1980-F, governing guaranteed loans, 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 insured 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 insured EE loans.

Insured EE loans secured by chattel property may be transferred and assumed on ineligible rates and terms in accordance with Section 1962.34 (b). 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. You should refer to FmHA Instruction 440.1, Exhibit B, for the current EE interest rates in effect. These current EE loan rates will also be utilized when processing consolidations, reschedulings, and reamortizations of existing EE loans under FmHA Instruction 1951-A.

EXPIRATION DATE: September 30, 1984

FILING INSTRUCTIONS:

Preceding FmHA Instruction 465.1



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Secretary of Agriculture, Washington, D.C. 20250

REAL ESTATE PURPOSES:

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

Paragraphs III D 2 a and b do NOT authorize approval of a subordination on real estate securing an insured 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 loan 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 subordination of the FO and the insured EE liens may be approved for any purpose for which an FO loan can be made.

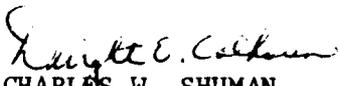
If the purpose of the subordination request does not comply with paragraph III D 1, or if the subordination request does not involve an indebted FO borrower, then National Office authorization must be obtained before the request can be approved. The State Director must include the determinations listed in paragraph XXIV with any submission of this nature to the National Office. In these cases, authorization will be given for any purpose for which an EE loan could have been made and/or for development or enlargement purposes which do not include land purchase, if necessary to carry out the objectives of the insured 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 insured 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. Before a release is approved, it must be determined that the remaining security will be adequate to secure the insured EE loan balance(s), and that the other provisions of paragraph XVI A are met.

Paragraph XVIII G 1 applies to insured EE loan funds and security in the same manner as it refers to those types of loans NOT specifically listed therein. EE loans fall into the category of "all other kinds of loans being transferred" in paragraph XVIII G 8, so title clearance and loan closing services are not required when they are transferred. However, paragraph XVIII G 8 DOES allow the approval official to require these services, if he or she determines, with OGC's advice, that they are needed to maintain FmHA's security position or for other reasons.

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The authority to approve all other servicing actions prescribed in FmHA Instruction 465.1 is delegated appropriately to County Supervisors, District Directors, and State Directors who are required to execute and/or carry out the prescribed servicing actions. Those transactions which must be submitted to the National Office should contain a cover letter that explains the situation and describes the servicing action being requested, including the State Director's recommendations and completed FmHA Form 465-1 or other required forms. All case files should be sent to the Administrator, Attention: Director, Emergency Division.


CHARLES W. SHUMAN
for Administrator