

TRANSCRIPT PART 2

2020 Lender Informational Meeting

Hosted by USDA Farm Service Agency in Montana

- 00:00

Hello everyone and welcome to Part 2 of the 2020 Guaranteed

- 00:04

Lenders training. My name is Casey Toyne. I'm the farm loan

- 00:08

specialist at the State Office

- 00:10

in Bozeman. Is Marilyn mentioned to you in part one of the

- 00:15

presentation I'm the newest member of the State Office Farm

- 00:19

loan team. However, I've been with FSA since 2011 in Colorado,

- 00:24

had a few different positions start out as account executive

- 00:28

Director was a formal specialist and a farm loan chief before

- 00:32

jumping ship and come into the Great State of Montana.

- 00:38

During my portion of this presentation, I'm going to be

- 00:43

covering COVID-19 temporary updates also be covering

- 00:47

guaranteed loan servicing, both delinquent servicing, an regular

- 00:51

servicing and will be discussing guaranteed loss claims.

- 00:56

So COVID-19 temporary updates.

- 01:01

Covid caused a lot of challenges within a lot of

- 01:05

different industries in the financial industry's no

- 01:08

different. In order to help alleviate some of those

- 01:12

challenges are national office.

- 01:16

Implemented some temporary changes in our procedure.

- 01:22

Two of these changes for application processing.

- 01:25

Typically, if you have a complete application, we send

- 01:28

a letter notifying you that you have 20 calendar days in

- 01:33

which to get us. The additional information

- 01:36

requested to get a complete application.

- 01:39

If for some reason you're not able to get us the information

- 01:44

or documentation that we've requested due to the pandemic.

- 01:49

We're now authorized to grant an extension on a case by case

- 01:53

basis. The other extension they granted it was for conditional

- 01:57

commitments, so if the lender is unable to close alone timely due

- 02:01

to restrictions by the pandemic, we can also grant extension on

- 02:05

this case is if you recall on the conditional commitment, we

- 02:09

actually have a time frame in which the conditional commitment

- 02:12

is good for, so we can go beyond that timeframe. If you're unable

- 02:17

to close, do this pandemic now. These aren't automatic, so keep

- 02:21

that in mind. You need be communicating with the.

- 02:25

County office you're working with, and you also need you

- 02:28

know, these have to be due to the pandemic, so it can't just

- 02:32

be you know a free for all.

- 02:35

It has to be.

- 02:37

Something your inaction you're unable to perform because of

- 02:40

pandemic. So you Munich 8 those with the County office. You can

- 02:46

potentially get an extension.

- 02:51

Something else, the National Office relaxed was.

- 02:56

For annual lines of credit or emergency advances on

- 02:59

lines of credit.

- 03:02

SCL lenders typically have to earn normally required to get

- 03:07

agency concurrence before advancing an annual lines of

- 03:11

credit for the next operating

- 03:14

cycle. That requirement has been waived. SCL lenders may now self

- 03:20

certify that they meet the requirements and subparagraphs

- 03:24

265BN265C and then for emergency advances on lines of credit for

- 03:30

SCL an CLP lenders.

- 03:34

Those lenders can now self certify that they meet the

- 03:38

conditions according to two FLP, so paragraph 2283A, four

- 03:42

emergency advances. Now what I would say is that.

- 03:46

You guys need to be sure if you're not getting FSA

- 03:50

concurrence or approval that.

- 03:53

You meet these requirements. If there's any question, I would go

- 03:57

ahead and ask the County office that you're working with,

- 04:00

because if there is a loss claim and loss can be tide back to an

- 04:06

advance that shouldn't have a curd because it didn't meet the

- 04:09

requirements it could potentially result in the

- 04:12

reduction your loss claim. So just be sure that the

- 04:15

requirements are met and if you have any questions, be sure and.

- 04:21

Contact the County office to

- 04:22

make sure. Couple other big changes during the kovid

- 04:28

pandemic is LPI. Lenders can now make non guaranteed loans to

- 04:34

existing guaranteed loan borrowers without getting FSA

- 04:38

approval. In writing you just have to certify to FSA that

- 04:44

either you have a feasible class flow projection that's been

- 04:49

developed. Now this doesn't apply to the SBA Paycheck

- 04:54

Protection program, because visible cash flow is not

- 04:58

required for that program. So you can do PPP loans without

05:03

FSA's consent. Also, we usually review a portion of

- 05:07

your portfolio annually.

- 05:11

And that requirement for the annual lender Blue View is being

- 05:16

waived until further notice during this kovid pandemic.

- 05:22

We're now also offering a option of a full year payment deferral.

- 05:27

Previously we offered 180 day temporary payment deferral

- 05:30

without meeting the feasible plan requirement, 'cause it was

- 05:34

the agency opinion that borrowers are going to be able

- 05:38

to return to normal production payment resumption as soon as

- 05:42

the COVID-19 pandemic is past.

- 05:46

Since the pandemic is now stretched well beyond what we

- 05:51

initially thought, FSA now offers option of a full year

- 05:55

payment deferral. You should have earlier this year received

- 06:00

a letter to guarantee lenders covering the deferral options

- 06:04

and providing eligibility requirements and authorizing

- 06:07

guaranteed lenders to defer payments without a feasible plan

- 06:11

projection. If you didn't get a copy of that letter, please

- 06:17

reach out to your County office.

- 06:21

So now lenders are authorized to defer a pain that temporarily up

- 06:26

to the 180 days, or defer a full annual payment. So 12 months.

- 06:31

If it's on a monthly payment schedule.

- 06:36

And amortize it over the remaining term of the loan. Or

- 06:39

have it all due at maturity.

- 06:42

Keep in mind on the all lenders still need to notify the agency

- 06:47

in writing of any deferral action or payment forbearance.

- 06:51

Granted, as a result of the of

- 06:54

COVID-19. You also need to certify that the temporary

- 06:59

action is necessary due to circumstances caused by

- 07:03

COVID-19. An the documentation requirements into FL NPI,

- 07:08

subparagraph 327 C.

- 07:10

Are waived only in cases where the deferral is

- 07:14

necessary due to COVID-19.

- 07:17

Another temporary changes due to Covid is the extension of due

- 07:22

dates for foreclosures and liquidation. For last claim

- 07:25

purposes, you have a timeline based off a payment through

- 07:29

data. It's affects interest

- 07:31

reimbursement. Which will discuss in more detail later.

- 07:35

The temporary change allows for a payment due date to be

- 07:40

extended up to 90 days affectively, giving you up to

- 07:43

an additional 90 days of interest accrual that you can

- 07:47

be reimbursed for on any loss claim. If the foreclosure or

- 07:52

liquidation is being delayed by COVID-19 again, you're

- 07:55

going to want to document that the covid related

- 07:58

circumstances are or what they are, and communicate with the

- 08:02

County office. If you want to take advantage of this change.

- 08:08

Again, I want to emphasize that those COVID-19 updates

- 08:13

are temporary.

- 08:16

They are likely to be in place so long as the pandemic is

- 08:21

ongoing, but if you want to take advantage of those changes and

- 08:26

be sure and communicate with the County office to make sure.

- 08:30

Those changes are still in place before just going ahead.

- 08:36

On that covers the COVID-19 temporary updates. Next,

- 08:40

we're going to be moving into guaranteed loan servicing

- 08:44

with regard to guaranteed loan servicing. The first

- 08:47

thing our first items were going to discuss, our regular

- 08:52

servicing items, which includes the requirement for

- 08:55

a lender's annual analysis.

- 08:58

The amount of the analysis you are expected to do each year

- 09:03

with your guaranteed borrowers depends upon your lender status.

- 09:07

So whether you're SLP or P and the type of loans and security.

- 09:12

As I mentioned in my previous slide, the amount of flexibility

- 09:17

you're given for our annual analysis is going to be

- 09:20

dependent on your lender type, but an annual analysis is

- 09:24

required for all borrowers with term loans greater than 100,000,

- 09:28

all line of credit loans for borrowers with an outstanding

- 09:32

loan balance for existing term

- 09:34

loans. If it's 100,000 or less for Slepian LP lenders.

- 09:40

An annual analysis is required when the loan is past due by

- 09:44

more than 30 days.

- 09:46

Current balance sheet indicates financial deterioration,

- 09:49

including reduction collateral and or values, or when the

- 09:53

credit report indicates an increase in use of credit

- 09:58

increase in late pays.

- 10:00

Or reports a collection activity results in a

- 10:19

This light covers the documentation that's required

- 10:23

to be submitted for an annual analysis to FSA for SCL and

- 10:28

LP type lenders.

- 10:31

For if your SEL or MLP what you do for annual analysis.

- 10:36

And then what you submit to FSA are very similar.

- 10:41

You're going to have to submit most of your documentation, and

- 10:45

these documents should be submitted to the authorized

- 10:47

agency official within 30 calendar days at the completion

- 10:51

of the annual financial

- 10:52

analysis. If you're talking a Terminal L loan, you'll need to

- 10:57

submit a balance sheet farm, visit, report income and expense

- 11:00

statement and narrative summary of the Borrowers financial

- 11:00

statement and narrative summary of the Borrowers financial

- 11:03

progress for a line of credit, you're going to be submitting a

- 11:07

balance sheet farm visit report.

- 11:10

Income and expense statement. Projected cash flow and

- 11:13

narrative. Summary of the borrowers financial progress.

- 11:17

An FSA must approve advancing on all guaranteed lines of credit.

- 11:24

For guaranteed FO the sub mission requirement requirements

- 11:27

are a balance sheet, farm visit report, income and expense

- 11:31

statement, and narrative summary of the bars financial progress

- 11:35

from previous year only if the loan is secured by chattels.

- 11:42

On the CLP lenders, as you can see from this slide, for those

- 11:46

of you that are CLP lenders, you have little extra flexibility in

- 11:50

what you do for analysis as compared to SEL or MLP lenders.

- 11:56

For CLP lenders, annual analysis documents that have to be

- 12:00

submitted to FSA, and again this is within that 30 day timeline

- 12:08

If you're talking a real estate loan, you're going to have to

- 12:13

submit either a summary of the lenders analysis or summary of

- 12:17

why financial strings make analysis unnecessary for term

- 12:20

chattels, either a summary of the lenders analysis or summary

- 12:24

as to why the financial strings, Mace analysis unnecessary, and

- 12:28

for line of credit certification that the cash flow was obtained

- 12:32

that borrowers and compliance with lenders agreement.

- 12:36

Previous years income loan funds and security proceeds

- 12:39

are accounted for.

- 12:45

As I mentioned earlier, PMP lenders have maximum flexibility

- 12:49

with regard to annual analysis.

- 12:53

It's going to be based on your credit management system and

- 12:56

generally nothing is required to be submitted to FSA with her for

- 13:00

an annual analysis. Now, if you're alone off surfer, a PMP

- 13:05

lender and you don't have a copy of the credit limit credit

- 13:09

management system. For your bank, you need to get a copy

- 13:13

of that because that is your guidance as to how you are

- 13:17

going to conduct yourselves with regard to the guaranteed

- 13:20

loan program, and that's what you're going to be held to as

- 13:24

far as servicing requirements guaranteed that will affect

- 13:27

guaranteed loss claims, so on and so forth. So please, if

- 13:30

your loan officer would, for a PMP lender, be sure and get a

- 13:34

copy of that credit management system and learn it.

- 13:39

During the next several slides, we're going to talk about

- 13:42

general servicing

- 13:43

responsibilities. With regard to guaranteed loans.

- 13:49

It's really important that you probably pay attention to these

- 13:52

slides because these are really what you're going to need to do

- 13:55

to protect your guarantee.

- 13:58

Generally, if you service the loans as you do other

- 14:01

loans in your portfolio an, it's in a reasonable and

- 14:05

prudent manner, then you shouldn't have any issues

- 14:08

have or you know within the guaranteed loan program. We

- 14:12

do have some rules and regulations that you need to

- 14:15

follow, so you need to pay attention 'cause if you

- 14:19

don't service them.

- 14:21

As required, and we determine your servicing to be negligent,

- 14:27

it could potentially result in a

- 14:30

reduction. Order in extenuating circumstances the

- 14:34

termination of a guarantee.

- 14:39

So the items on this slide may seem quite obvious as things

- 14:44

that need to be done for proper servicing, but you would be

- 14:48

surprised at how often we have lost claims in which these.

- 14:53

Things weren't tracked or done properly, so number one, ensure

- 14:58

sale proceeds or other collateral dispositions or

- 15:01

accounted for. Ensuring the proceeds are applied in

- 15:06

accordance with Lane position.

- 15:09

Or used to replace for replacement of security or

- 15:13

collateral. And then finally ensuring loan collateral are

- 15:17

protected. When we get into

- 15:20

foreclosure bankruptcy. Those types of things.

- 15:25

If you have a borrower, a guaranteed borrower that you're

- 15:30

wanting to make non guaranteed

- 15:32

loans too. If you're in SCL or CLP lender, you required to have

- 15:37

FSA concurrence in order to make those in on guaranteed loans.

- 15:41

PMP lenders this is going to be according to your credit

- 15:45

management system, so you want to refer back to it if you're

- 15:49

looking at making a non guaranteed loan but just keep in

- 15:53

mind we don't give priority in a loss to non guaranteeing loans

- 15:57

that were not concurred with by

- 15:59

FSA. So keep that in mind.

- 16:03

Guarantee loans have regular reporting requirements. There's

- 16:06

a semi annual requirement which is March 31st and September 30th

- 16:11

of each year in which your case you're supposed to or require to

- 16:17

submit a status report.

- 16:20

And also once I count is 60 days

- 16:23

past due. There's default status reports that are due

- 16:27

every 60 days until the default is cured through

- 16:32

restructure or through liquidation.

- 16:35

This is kind of a neglected aspect of servicing.

- 16:40

To some degree.

- 16:42

It's important that you provide these reports timely.

- 16:47

If you fail to do so.

- 16:50

And do it routinely. It could ultimately result in termination

- 16:54

of the guarantees, so these reports are important.

- 16:59

This handy table can be found in the two FP Handbook under

- 17:49

borrower. And if possible, include FSA servicing official

- 17:53

in that meeting.

- 17:56

Now. If you attempt to hold the meeting, and if after 60

- 18:02

calendar days, a delinquent borrower doesn't respond to your

- 18:05

request for a meeting or refuses to discuss any sort of

- 18:09

resolution of the default.

- 18:12

You should take actions to protect the security interest

- 18:15

and proceed with liquidation of the loan according to procedure.

- 18:21

This slide outlines the possible solutions to cure.

- 18:26

ADA loan default for guaranteed loans.

- 18:30

One of the items temporary loan to bring the loan current. If

- 18:35

you're going to consider that option, it's going to need

- 18:38

normal concurrence according to lender type, so keep that in

- 18:41

mind. One thing you're required to do is document the interest.

- 18:46

Assistance was considered and ruled out as an option to

- 18:50

correct a default.

- 18:54

You document the interest assistance consideration on the

- 18:58

1st FSA 2248 submit to FSA notifying us of the default, and

- 19:04

you do so by checking item 14 A on the 2248.

- 19:11

Right now there's no funding for the Interest Assistance program,

- 19:15

so additional documentation for this is not needed. For those of

- 19:20

you who are wondering what interests assistance is.

- 19:24

Hasn't been funded for quite awhile now, but it was a program

- 19:29

FSA had for guaranteed loans in which a lender can charge an

- 19:34

interest rate. But FSA would effectively cover 4% of that

- 19:39

interest rate, so the bar work had effectively have a lower

- 19:43

interest rate and make it more likely for their operation to

- 19:48

cash flow. But that program, like I said, hasn't been funded

- 19:53

for awhile, and as you may recall from earlier 60 days

- 19:57

after the interest assistance

- 19:59

deferral is the earliest date that the lender.

- 20:03

Can initiate foreclosure action foreclosure action

- 20:06

for our purposes.

- 20:11

Then when you initiate the foreclosure filing.

- 20:15

In court in this date is tracked in our GL S reporting system.

- 20:24

Within 120 days of the payment due date, you guys need to be

- 20:30

deciding whether you want to restructure the account or move

- 20:34

towards liquidation. And again, I wanted to remind you

- 20:39

that you know the FSA 2248 default status report needs to

- 20:44

be submitted every 60 days after initial form has been

- 20:48

mailed, so you'll be submitting that form to FSA

- 20:52

multiple times during this period and on that form you

- 20:56

should be keeping providing information on what you guys

- 21:00

are doing in the status of the account.

- 21:11

So let's talk a little bit more about restructuring. So

- 21:14

the first thing I would say is we encourage you to be

- 21:18

proactive, so if at all possible, get things going

- 21:21

before the borrower becomes delinquent. If you know they

- 21:23

aren't going to make their payment.

- 21:27

For any restructuring action, FSA prior

- 21:31

required. If your SCL lender.

- 21:34

If your CLP lender.

- 21:37

You need to certify that you follow FSA requirements and

- 21:41

provide a post restructuring report on what you've done along

- 21:45

with a final default status report showing the account is

- 21:49

current. And the re structured note.

- 21:55

GOP leaners. You guys are going to be following your CMS

- 21:59

and provide a post restructuring port to FSA

- 21:41

provide a post restructuring report on what you've done along

- 21:45

with a final default status report showing the account is

- 21:49

current. And the re structured note.

- 21:55

GOP leaners. You guys are going to be following your CMS

- 21:59

and provide a post restructuring port to FSA

- 22:01

along with the final default report showing the

- 22:04

account is current in the restructured no.

- 22:09

If you're talking a guaranteed line of credit that spend

- 22:12

restruction restructured that once it's been restructured,

- 22:15

it's no longer a line of credit, so there's no more advances

- 22:19

allowed on it, and it basically becomes like a term loan at that

- 22:24

point, so it's no longer effectively a line of credit.

- 22:29

If you are considering doing a balloon payment.

- 22:35

There's a lot of requirements for that, so I encourage you

- 22:39

to contact your local FSA office for additional

- 22:43

information if that's being considered as a possible

- 22:46

option.

- 22:47

So I don't have a whole lot to add from what's already covered

- 22:53

on this slide. Just keep these requirements in mind with

- 22:57

regard to security. Under a guaranteed loan restructure.

- 23:02

With regard to a guaranteed loan restructure, if you sold

- 23:26

60 calendar days after the Miss payment date and lenders

- 23:30

are encouraged to repurchase the guarantee when asked to

- 23:33

by the Holder.

- 23:38

There's reference there to two FL peer Subparagraphs 313 A

- 23:43

through C for specific lender requirements for restructure.

- 23:48

And two FLP paragraph 314 A through B for FSA response to

- 23:53

request for restructure. So I encourage you to pull out that

- 23:57

two FLP Handbook and look at those paragraphs.

- 24:03

With regard to terms allowed.

- 24:06

By restructure if you're talking and F alone, it's a period not

- 24:11

to exceed 40 years from the date, then no, and that's date

- 24:16

of the original note.

- 24:19

If you're talking and OEL loan, you can go up to 15 years.

- 24:24

From the date of the risks, rescheduling and for a line of

- 24:28

credit. You can exceed seven years from the date of their

- 24:33

scheduling or 10 years from the date of the original note,

- 24:36

whichever is less. An once again, I want to reiterate

- 24:39

that advances cannot be made against a line of credit loan

- 24:43

that has any portion of the loan reschedule.

- 24:48

Deferrals and write downs, so we can do deferrals up to five

- 24:52

years if it makes sense to do so, although in most cases I

- 24:57

probably wouldn't recommend it as far as conditions that

- 25:00

apply to deferrals.

- 25:05

One thing to keep in mind with regard to that five years the

- 25:09

loan may not be extended beyond the final due date of the note,

- 25:13

so that is a limit on that

- 25:15

extension. The principle portion of the payment may be deferred

- 25:19

either in whole or in part.

- 25:22

Interest may differ, be deferred only in part.

- 25:26

Payment of a reasonable portion of the current

- 25:29

interests.

- 25:30

Based on the borrowers, cash flow projections is required if

- 25:34

you're talking a multi year

- 25:36

deferral. And there must be a reasonable prospect that the

- 25:40

borrower is going to be able to resume full payments at the end

- 25:43

of the deferral period.

- 25:46

For write downs, they need to be in the best financial

- 25:50

interest of the government and use the lender.

- 25:54

So in other words, it needs to be cheaper to do a write

- 25:58

down then to foreclose.

- 26:02

And you don't have to consider this option if you don't want

- 26:05

to. It's available, but if you don't want to consider it as a

- 26:08

lender, you don't have to.

- 26:10

If there is a write down, you know there is a loss claim that

- 26:14

is paid. It's a special type of

- 26:16

loss claim. Where the written down debt doesn't become a

- 26:21

delinquent federal debt. That subject to federal offsets of

- 26:24

the borrowers income.

- 26:27

If you are considering or write down, you need to work closely

- 26:32

with your local FSA office, because there's a lot of rules

- 26:36

to it and it's quite a project,

- 26:39

so. Keep that in mind.

- 26:43

The slide summarizes restructuring requirements

- 26:45

with regard to eligibility. The delinquency on federal

- 26:50

debt in prior loss to the government requirement are

- 26:54

waived for the eligibility rules.

- 26:58

SCL lenders you're going to need to submit copies of all this

- 27:02

stuff to FSA Fura CLP lender, you're going to need to certify

- 27:07

that the information is in your file and given narrative,

- 27:10

explaining the circumstances surrounding the need for the

- 27:13

restructuring. And if Europe, ELP lender, you're just going to

- 27:10

explaining the circumstances surrounding the need for the

- 27:13

restructuring. And if Europe, ELP lender, you're just going to

- 27:17

be following your credit management system as to how

- 27:20

you're going to go about this.

- 27:23

One eligibility requirement criteria is that the borrower

- 27:27

is still farming or op farming operating. He still

- 27:31

needs to be doing that in order to be eligible for.

- 27:37

The restructuring.

- 27:40

And as far as appraisals go, they generally aren't

- 27:43

needed except for in case of right down.

- 27:48

As we covered earlier, if you're in SCL lender, you're going to

- 27:53

need prior. Concurrence from FSA for all restructuring. If your

- 27:56

CLP and PMP lenders you're only going to need prior concurrence

- 28:00

if there's a writedown involved.

- 28:04

If you're an SCL under and the your proposal for servicing is

- 28:11

agreed to by FSA agency, approval official should notify.

- 28:17

The applicant, in writing with a copy to the lender within 14

- 28:22

calendar days of the lenders request an what the letter will

- 28:27

do is inform the lender and the

- 28:30

borrower. Their informal review.

- 28:34

Mediation appeal rights. According to our appeal

- 28:38

procedures.

- 28:40

For CLP or PMP lenders.

- 28:43

The authorized agency official.

- 28:46

Is going to review the loan restructuring documents an FSA

- 28:50

2248 according to procedure, and confirm that the restructuring

- 28:54

actions did not violate any FSA regulations. And if the

- 28:59

authorization see official has any concerns about the

- 29:03

restructuring of the loan.

- 29:05

Then there gonna contact you as a lender to discuss

- 29:10

the concerns.

- 29:13

So here are actions that need to be performed

- 29:17

following the restructuring.

- 29:20

You'll need to submit information according to your

- 29:23

lender type. Long with the modified new order along with

- 29:27

the changes original no submit that stuff to FSA.

- 29:32

Now don't forget you also need to submit FSA 2248 stating that

- 29:35

the loan is current. That's the default status report. The final

- 29:39

report will be stating that the loan has been brought current.

- 29:45

Keep in mind you don't want to break the chain between the

- 29:48

original note in the modified notes, so the new loan needs

- 29:52

to reference the old one to keep that guarantee valid.

- 29:56

The Form 2245 modification of

- 29:59

guarantee. The FSA completes this form and will provide user,

- 30:03

lender or copy. You need to be sure you attach the modification

- 30:08

to the original guarantee form.

- 30:23

within 12 months.

- 30:27

In when you're in liquidation mode, no in-house appraisals are

- 30:31

allowed. They all have to be independent appraisal reports.

- 30:36

And you can charge that cost to the Barber's account and

- 30:40

it is reimburse Abal reimburse Abal cost through

- 30:43

the loss claim process.

- 30:47

The appraisal requirement may be waived by the agency.

- 30:51

When the bankruptcy trustee is handling a liquidation, lender

- 30:55

has submitted the trustees determination of value.

- 30:59

Or when the lenders propose method of liquidation rarely

- 31:02

results in receipt of less than the market value for livestock

- 31:06

and used equipment.

- 31:08

Or when a purchase offer has already been received

- 31:10

for more than the debt.

- 31:13

Mediation must be offered.

- 31:19

Acceleration of the account. You need to demand the

- 31:22

payment in full in FSA expects you will give the

- 31:25

borrower 30 days to pay up.

- 31:29

Liquidation plan to FSA will cover that in more detail

- 31:33

later in this presentation will also look at loss claims

- 31:36

in a little more detail.

- 31:41

Liquidation is either going to be obviously voluntary or forced

- 31:45

by Sheriff sale or court action.

- 31:48

And when all security is gone, you'll send Fsa final loss

- 31:53

claim to settle everything.

- 31:55

And if FSA overpaid with the estimated loss claim, you're

- 32:00

also going to send a check reimbursing for the over payment

- 32:05

plus accrued interest and just keep in mind, on any estimated

- 32:10

loss claim overpayment, what y'all? Back his principle plus

- 32:14

interest accrual at the note rates? Whatever note rate rate

- 32:19

you're charging the borrower?

- 32:22

From the date of payment of the estimated claim.

- 32:26

And then we're going to cover future future recovery

- 32:32

collections from. Wages and things like that a little later.

- 32:40

Again, for loan liquidation purposes, we're going to be

- 32:44

tracking from the payment due

- 32:46

date. There is a nice table that lays out the timeline for

- 32:52

liquidation in paragraph 355 A of Handbook two FLP please

- 32:56

reference that table, 'cause it is quite helpful.

- 33:01

But the gist of it is, with 120 within 120 days of the payment

- 33:06

due date, you need to be accelerating the account and

- 33:10

notifying the borrower.

- 33:15

So it's more on liquidation. I'm going to do a quick rundown of

- 33:21

the timeline for everything, so 60 calendar days after the

- 33:25

payment due date is the earliest date that you can file to

- 33:31

liquidate the security, keeping in mind the consideration of

- 33:35

interest assistance to assist in curing the default which we

- 33:39

talked about earlier in the presentation. Which interest

- 33:43

assistance isn't available.

- 33:45

Right now, so that determination

- 33:48

is. Recorded on the 1st 2248, the first default

- 33:53

status report.

- 33:55

90 days is when you need to give notice to the borrower and

- 34:00

accelerate the loan or implement alone restructuring

- 34:03

plan. 120 days you need to make a decision on whether the count

- 34:09

is going to be restructured or liquidated. 150 calendar days

- 34:13

you need to be submitting a liquidation plan to FSA as well

- 34:18

as an estimated loss claim. Submitting those to FSA.

- 34:22

By day 164.

- 34:25

Any estimated protected advances must be concurred with by FSA.

- 34:31

By Day 170, liquidation plan needs to be approved by FSA.

- 34:37

My day 180 and estimated loss claim.

- 34:42

Submit to FSA we try and get it approved by day 180 by Day 260.

- 34:48

Liquidation should be completed by Day 290. A

- 34:52

final loss claim should be submitted and by day 3:30,

- 34:57

FSA should approve or request modification of a

- 35:01

final loss claim.

- 35:05

We have 40 calendar days after submission of final

- 35:09

loss claim to.

- 35:11

Prover request modification so.

- 35:17

Upon receipt of a liquidation plan FSA, we have 20 calendar

- 35:21

days to respond in writing, either granting approval of the

- 35:25

plan or requesting modification of the plan.

- 35:30

Your liquidation plan must be submitted to the authorized

- 35:34

agency official and authorized agency official will.

- 35:38

Or see the plan and notify you in writing of the

- 35:42

decision to approve a request modification of the plan.

- 35:50

Montana exhibits 140 and 141 or included in hand out so

- 35:56

you can review them for your information.

- 36:02

Some of these items I already covered, but some

- 36:04

things to keep in mind.

- 36:07

So on a loss claim, we're not going to pay interest beyond 210

- 36:11

calendar days from the payment

- 36:13

due date. In most circumstances

- 36:17

so. If you're stretching out the liquidation.

- 36:23

You're going to be accruing interest for which you're not

- 36:25

going to be reimbursed.

- 36:28

So it's important to try and keep things clipping along

- 36:33

timely to maximize your reimbursement on any loss claim.

- 36:38

A liquidation plan is required in all cases, including if the

- 36:43

borrower is liquidating voluntarily, no losses expected,

- 36:46

or all security has been stalled sold. You still need to submit

- 36:51

an estimated loss claim.

- 36:55

An even if no losses expected.

- 37:01

So we're going to shift gears a little bit from liquidation

- 37:29

consent. If your SQL or CLP.

- 37:34

PMP, you're going to be doing it per your credit management

- 37:38

system and your farming. The farming operation still needs to

- 37:43

be viable. It's also still subject to the statutory loan

- 37:47

limits which currently is 1 million 776 thousand total

- 37:51

amount of outstanding debt.

- 37:55

And. Most of these are done in mid or late summer before

- 38:09

this slide and most of this is covered in the previous

- 38:12

slide, but.

- 38:15

The loan does point out that the loan funds to be advanced need

- 38:20

to be for authorized purposes.

- 38:24

When circumstances are out, you also have the option of

- 38:28

protective advances. You're going to be building those two

- 38:31

existing note. They're going to be done to preserve her, collect

- 38:35

protect. Collateral from loss or deterioration and you're only

- 38:39

going to be doing protective advances when the borrower is in

- 38:44

liquidation or liquidation is eminent or title to real

- 38:47

property has been taken.

- 38:50

On you need to demonstrate that the advances in the best

- 38:54

interest for you as a lender, as well as the government.

- 38:59

If you're an SCL under, you need prior consent for FSA. If the

- 39:04

amount is over \$3000. If your CLP lender you need prior

- 39:08

consent from FSA. If the mouse over \$5000 and if your appeal P

- 39:13

lender, it's going to be per year CMS or.

- 39:17

It's going to be \$5000 if not addressed in the CMS.

- 39:24

These can be done for any type of guarantee long.

- 39:28

An basically it means you have a problem account because once

- 39:31

you make a protective advanced, the loan is immediately going

- 39:35

to be declared delinquent.

- 39:37

Again, this is just a summary of what a protective

- 39:42

advances, kind of reiterating some of the information on

- 39:46

the previous slide.

- 39:50

Whether we're talking a delinquent account, liquidation

- 39:53

or bankruptcy. Communication is key, consistent and timely

- 39:58

communication with FSA.

- 40:00

Say an document document, document everything as much

- 40:05

as possible to protect your guarantee and.

- 40:11

Keep it FSA informed and if you want to consult with FSA, we're

- 40:16

always happy to do so.

- 40:20

So when. With regard to lost claims, we do wanna pay a

- 40:26

loss claim in full. We don't like to reduce a loss claim.

- 40:32

For you guys, but you know what? It boils down to is our

- 40:37

regulations decided what we can and can't allow and loss

- 40:41

claims are often reviewed by our National Office.

- 40:47

And these you know aren't unconditional guarantees. There

- 40:50

are strings. Tide 2:00 AM and conditions that need to be met.

- 40:56

So on the following slides, we're going to kind of go

- 41:00

over the problems and reasons or common problems and

- 41:03

reasons for deductions and a loss claim or possible denial

- 41:07

of the loss claim.

- 41:10

One thing applying proceeds to nonguaranteed debt off and the

- 41:14

lender will have guaranteed and non guaranteed loans and the

- 41:18

account is liquidated or it goes

- 41:21

to bankruptcy. And it's pretty common deduction is

- 41:25

when the lender uses proceeds from collateral to pay the non

- 41:29

guaranteed note when the guaranteed notes have a prior

- 41:33

lien and payment priority.

- 41:37

Keep in mind the time frames we discussed earlier deviation from

- 41:42

those timeframes as possible, but you need to document why.

- 41:47

And you also have to keep in mind that interest accrual

- 41:51

eligible for reimbursement is limited to 210 days if your

- 41:55

estimated at last claim is submitted timely. If the

- 41:58

estimated loss claim is not submitted timely within 150 days

- 42:02

of payment due date.

- 42:42

You're going to need to have current appraisals. There are

- 42:45

exceptions, which I also covered earlier. For example, if the

- 42:49

collateral is going to be sold at a public auction, then you

- 42:53

wouldn't necessarily need to have an appraisal.

- 42:58

Counting for security, you need to make sure you, or maybe an

- 43:03

appraiser working for the bank sees the collateral and counts

- 43:06

the livestock not only before the loan is made, but during the

- 42:04

Then you're limited to 150 days of eligible.

- 42:10

Interest accrual that can be reimbursed. Now. One caveat to

- 42:14

this or one exception to this, I should say is if you enter

- 42:20

bankruptcy because bankruptcy.

- 42:22

Kind of. Suspends a lot of actions you are eligible for

- 42:28

interest accrual that occurs.

- 42:31

Wow, the borrowers in

- 42:34

bankruptcy. And as I discussed previously, when alone is being

- 42:39

liquidated or in bankruptcy.

- 42:42

You're going to need to have current appraisals. There are

- 42:45

exceptions, which I also covered earlier. For example, if the

- 42:49

collateral is going to be sold at a public auction, then you

- 42:53

wouldn't necessarily need to have an appraisal.

- 42:58

Counting for security, you need to make sure you, or maybe an

- 43:03

appraiser working for the bank sees the collateral and counts

- 43:11

loan. We need to be keeping track of those things.

- 43:17

You need to document what what was sold and quantity

- 43:21

sold and what proceeds were and how they were dispersed.

- 43:25

Specially if we're talking and lines of credit in which

- 43:29

we have crops, calves, etc.

- 43:33

For line in lines of credit you need crop insurance. You need at

- 43:38

least have catastrophic level insurance for non insurable

- 43:41

crops. FSA has the NAP program an A failure to

- 43:48

have crop insurance.

- 43:52

Can likely result in the reduction in the last claim.

- 43:56

When it when insurance is available.

- 44:00

He also need to be careful regarding releases a collateral.

- 43:11

loan. We need to be keeping track of those things.

- 43:17

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- 43:21

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Can likely result in the reduction in the last claim.

- 43:56

When it when insurance is available.

- 44:00

He also need to be careful regarding releases a collateral.

- 44:19

security that was released, that shouldn't have been, that could

- 44:22

be deducted from the last claim.

- 44:26

I lender use, a lender can charge default interest and late

- 44:30

fees go ahead if you can think you can collect it. However,

- 44:35

those fees and cost can't be claimed in a loss claim request,

- 44:39

so they're going to be deducted from the claim amount.

- 44:44

Something that's often overlooked that can affect a

44:48

loss claim is FSA 2232 or the conditional commitment. So if

- 44:53

you're a call whenever FSA approves placing a guarantee

- 44:57

on a loan.

- 44:59

We issue FSA 2232 to you as a lender outlining the

- 45:04

terms and conditions for us to place the guarantee.

- 45:09

And if those aren't adhered to an, they have an effect on

- 45:13

a loss claim, then it could result in a reduction in that

- 45:18

loss claim.

- 45:21

Also, you need to be watching your advances. Make sure you're

- 45:26

not going over your ceiling.

- 45:29

And you need to be documenting what those

- 45:32

advances are for all that needs. So in a line of

- 45:36

credit, specially every time you need to make you make an

- 45:40

advance, you need to be documenting what those funds

- 45:44

being advanced are going to be used for, because it needs

- 45:48

to be for authorized loan purposes. If not, could be

- 45:52

reduced from the last claim.

- 45:55

So this slide reiterate several of the points that we already

- 46:00

covered in previous slides. Documentation is key. Thorough

- 46:04

documentation can help a lot alleviate a lot of headache

- 46:08

along with regular communication with FSA, and then you need to

- 46:00

covered in previous slides. Documentation is key. Thorough

- 46:04

documentation can help a lot alleviate a lot of headache

- 46:08

along with regular communication with FSA, and then you need to

- 46:13

be making sure you're doing stuff that's kind of common

- 46:17

sense, like not advancing funds for unauthorized purposes or

- 46:21

switching between loan types and things like that.

- 46:27

Here's a little more banker humor.

- 46:31

So guarantees terminate.

- 46:34

When loans are paying full when you as a lender

- 46:38

requests that the guarantee be cancelled so you can

- 46:42

decide you no longer need to guarantee or when a final

- 46:46

loss claim is paid, one thing you need to do is make

- 46:50

sure you're holding onto the original guarantee that we

- 46:54

issue you that guarantee form, and once the guarantee

- 46:57

terminates, you need to return it marked paid.

- 47:01

To return it to FSA.

- 47:04

And what we suggest is that you attach that guarantee to the

- 47:08

front of the original promissory note so you don't lose it.

- 47:13

So you may be thinking that after a final loss claim in play

- 47:17

is paid, that's end of it. You're done right? Well, not

- 47:20

quite. A loss claim is actually a transaction between use

- 47:24

lender, an Farm Service Agency. It's not a transaction between.

- 47:28

Use the lender in the borrower.

- 47:30

Last claim doesn't get applied to a borrower's

- 47:30

Last claim doesn't get applied to a borrower's

- 47:34

debt. That debt remains.

- 47:38

And once we pay a final loss claim, it cost that amount.

- 47:43

Whatever we pay constitutes a federal debt that the

- 47:47

borrower owes.

- 47:50

Additionally, your lender agreement requires you not to

- 47:53

release a borrow from liability without FSA approval. According

- 47:56

to the Debt Collection Improvement Act of 1996.

- 48:00

Only FSA can release borrowers from the last claim debt.

- 48:05

This also applies to Cosigners or Co borrowers.

- 48:10

So all parties, so all the borrowers, the primary borrower

- 48:15

cosigner, zorko borrowers, can apply for a debt settlement.

- 48:21

They all have to agree to it an our state executive director

- 48:27

can approve that settlement. If we believe is adequate.

- 48:33

Now. After six years with no collections, it's likely

- 48:38

that we're going to cancel the debt is uncollectible

- 48:42

and issue a 1099.

- 48:45

For you guys lenders.

- 48:47

Three years is what we ask for you to try and collect any

- 48:53

additional monies that you can, and then after that

- 48:56

you'll issue after the three years you'll issue a 1099 just

- 49:01

on your 10% that we didn't cover in the loss claim.

- 49:07

And during that three years, you're going to be required

- 49:12

to report collections on FSA form 2261.

- 49:18

So this slide just reiterates that you, as the lender cannot

- 49:22

release bar or from liability without FSA's consent.

- 49:26

Something I should have covered in the previous slide?

- 49:30

What will happen is in late October of each year FSA is

- 49:35

going to forward FSA 2261, which is your annual report

- 49:39

for collections on your 10% it will be sent with instructions

- 49:44

to you as the lender.

- 49:49

And it's going to be sent to any lenders who have received a loss

- 49:54

claim because of liquidation in the prior three years.

- 49:57

That FSA 2261.

- 50:00

Is required to be completed by use the lender and return back

- 50:04

to FSA by November 30th.

- 50:10

The other thing is.

- 50:13

When you have a lender that has become delinquent a

- 50:47

Try and do a debt settlement agreement prior to the final

- 50:52

last payment being made. That is an option.

- 50:56

If we do degree to a debt settlement.

- 51:00

An so that we don't have to go through the debt collection.

- 51:05

Process it just kind of makes it easier for

- 51:08

everybody. The lossless paper work a lot less

- 51:12

headache, so I encourage you guys to.

- 51:16

As much as possible, make the bar is aware and

- 51:20

encourage them to cooperate in order to minimize any

- 51:23

loss that may occur.

- 51:31

So next, we're going to talk about bankruptcy.

- 51:35

When we're talking guaranteed loans and

- 51:38

bankruptcy, largely it's going to be you as the

- 51:41

lender show.

- 51:43

Specially if FSA doesn't have any direct loans with

- 51:48

the borrower.

- 51:50

So you're going to be responsible for protecting

- 51:53

the security and the debt as you would any non guaranteed

- 51:58

loan. We do expect you to keep FSA informed.

- 52:03

Keep those communications going and get concurrence when you

- 52:06

need to. Now there are some instances when an estimated loss

- 52:11

claim was paid prior to the borrower filing bankruptcy. You

- 53:07

Loss claim so these are some very important things to

- 53:12

remember when we have a guaranteed barware that enters

- 53:16

bankruptcy. There's several things are that are prohibited

- 53:21

by statute within the guaranteed loan program, and so this is

- 53:26

kind of outline of things that we shouldn't be doing, so we

- 53:31

need to be keeping guaranteed that's separate from non

- 53:36

guaranteed debts. Those cannot

- 53:38

be combined. If we have more than one guaranteed loan.

- 53:43

We need to keep them separate. There is some consolidation of

- 53:47

guaranteed loans that can occur, but it's in. There's a

- 53:51

lot of rules governing that, so for simplicity steak and to

- 53:55

make sure we're not violating statute, we need to keep those

- 53:59

separate.

- 54:01

For lines of credit, we can go up to 15 years from the date of

- 54:05

the confirmed plan, but only if we have real estate security.

- 54:08

And we can capitalize interest, but not an amount greater than

- 54:14

allowed by statute, so.

- 54:16

Keep these things in mind and please don't forget them. If you

- 54:20

get in a bankruptcy situation.

- 54:24

As with monetary default FSA 2248.

- 54:30

Is required to be submitted to FSA when a borrower files

- 54:35

bankruptcy. Anne needs to continue to be submitted every

- 54:38

60 days while the borrower is in bankruptcy. The 2248 or the

- 54:43

default status report is going to be used to inform FSA.

- 54:48

Of the bankruptcy filing.

- 54:51

Also, it will be used to inform us of the reorganization plan

- 54:55

confirmation date and effective date when the reorganization

- 54:58

plan is complete and when the borrower is not in compliance

- 55:02

with the reorganization plan. Form is going to be used for all

- 55:07

those things. So that concludes our 2020 Guaranteed lender

- 55:12

training. I hope you found this training beneficial and

- 55:16

educational. As always, if you have any questions, please don't

- 55:21

hesitate to reach out.

- 55:24

To your local FSA office and if for some reason they are able to

- 55:28

answer your question, they'll get in contact with us and we

- 55:32

can assist and try and help you out. But thanks again and have a

- 55:36

good rest of your day.