Dealing with Delinquent Loan Accounts
Key Points

• Current Situation
• Available Servicing Options
• Farm Visits & Inspections
• Keeping FSA Informed
• Reporting Requirements
## Current Situation

<table>
<thead>
<tr>
<th></th>
<th>Guaranteed</th>
<th>Direct</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9/30/2020</td>
<td>9/30/2021</td>
</tr>
<tr>
<td>Delinquent Dollars</td>
<td>4.00%</td>
<td>1.94%</td>
</tr>
<tr>
<td>Delinquent Loans</td>
<td>3.93%</td>
<td>9.52%</td>
</tr>
<tr>
<td>Delinquent Borrowers</td>
<td>9.52%</td>
<td>13.69%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Analysis of Guaranteed Delinquent Accounts

- 4 are in bankruptcy proceedings
- 5 are in voluntary liquidation
- 1 will pay current
- 1 is in forced liquidation
- 3 are in disposition forthcoming
- 8 different lenders are involved
Factors

• COVID-19 emergency
• Oregon’s foreclosure moratorium was extended several times on residential & commercial foreclosures through June 30, 2021
• Oregon’s residential moratorium extended through December 31, 2021
• Temporary suspension of foreclosure and past-due debt collections remaining in place for FSA direct loans until December 31, 2021
• There is no suspension for FSA guaranteed loans
• Lenders are asked to notify FSA when liquidating an eligible ARPA guaranteed borrower
Guaranteed Servicing Options Available

- Rescheduling
- Restructuring
- Interest Rate Changes
- Subordination
- Emergency Advances
- Write down

All based on a feasible plan of operation
Extra Deferral Options for Guaranteed Loans

• FSA now offers the option of a full year payment deferral
• Authorizes lenders to defer payments without a feasible plan projection
• Lenders are authorized to defer a payment temporarily (up to 180 days) or to defer a full annual payment and amortize it over the remaining term of the loan or have it all due at loan maturity.
• The lender must certify that the temporary action is necessary due to circumstances caused by COVID-19 & normal repayment will resume
• Deferrals are not intended to circumvent other servicing options
Forbearance

• Lenders were initially advised to stop liquidations and not to submit loss claims early in the COVID-19 emergency
• Lenders are free to move on delinquent guaranteed loan accounts
• FSA will continue to review, process, and pay on guaranteed loss claims
• Lenders take the necessary actions to protect collateral
• Proceed with legal action as needed
Field trip

• Drive to the farm
• Go out there and see what is going on
• Inspect the collateral
• Talk to the borrower
• Count the cows and look at the equipment
• What about the crops

Poll Question
Post Trip

• Do a writeup, document, and summarize your visit
• Keep a written record
• Check your security agreement and equipment list
• Monitor and account for collateral
• Essential when time passes
Tracking Sales

• Normal income security
  • Crops, calf crop, culls,
  • Normally sold and proceeds used by the operation
  • Typically flows into OL Lines of Credit

• Basic security
  • Equipment, vehicles, breeding livestock, replacements, RE
  • Collateral for the loan
  • Proceeds applied as an extra payment
Missing Collateral

• Don’t ignore it
• Take actions to address it
• Make phone calls and send conversion letters to the borrower
• Document the borrower’s responses
• Check out the borrower’s responses
• Document your efforts in the case file
Communication

- Open lines to borrowers
- Keep FSA informed
- Regular phone call discussion or email
- Share your observations with us
- All the more so with delinquent accounts
Reporting Requirements

Guaranteed Farm Loan Status Report
- As of March 31 and September 31, XXXX

Guaranteed Farm Loan Default Status Report
- When the loan is 30 days past due
- Every 60 days thereafter until the default is cured

Report of Collection Activities on Liquidation Accounts
- Annually for 3 years following a final loss claim

Lenders are encouraged to use the LINC system for reporting
Guaranteed Farm Loan Status Report

- Form FSA-2241
- Reported as of March 31st and September 30th
- Semi-annual reports due by April 30th and October 30th
- Not due on new loans the first reporting period
- Reviewed by FSA to monitor loan progress
Guaranteed Farm Loan Default Status Report

• Form FSA-2248
• First due when the borrower loan becomes 30 days past due
• Resubmitted every 60 days
• Final submittal is when the delinquency is resolved
• Keeps FSA informed of the status
## Delinquency Codes – FSA 2248

13. DELINQUENT CODE: ___________ *(Enter appropriate code)*

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>DELINQUENT--Disposition Forthcoming</td>
</tr>
<tr>
<td>02</td>
<td>BORROWER WILL PAY DELINQUENT AMOUNT</td>
</tr>
<tr>
<td>03</td>
<td>NOT VALID FOR THIS PROGRAM</td>
</tr>
<tr>
<td>04</td>
<td>FORCED LIQUIDATION PENDING</td>
</tr>
<tr>
<td>05</td>
<td>VOLUNTARY LIQUIDATION PENDING</td>
</tr>
<tr>
<td>06</td>
<td>FORCED LIQUIDATION PENDING; ESTIMATED LOSS CLAIM FILED</td>
</tr>
<tr>
<td>07</td>
<td>VOLUNTARY LIQUIDATION PENDING; ESTIMATED LOSS CLAIM FILED</td>
</tr>
<tr>
<td>08</td>
<td>TEMPORARY LOAN BY LENDER TO BRING ACCOUNT CURRENT</td>
</tr>
<tr>
<td>09</td>
<td>BORROWER RESTRUCTURING PENDING</td>
</tr>
<tr>
<td>10</td>
<td>NOT VALID FOR THIS PROGRAM</td>
</tr>
<tr>
<td>11</td>
<td>RESCHEDULING OF PAYMENTS COMPLETED</td>
</tr>
<tr>
<td>12</td>
<td>DEFERRAL OF PRINCIPAL AND INTEREST PAYMENTS COMPLETED</td>
</tr>
<tr>
<td>13</td>
<td>LOAN REINSTATED AND CURRENT</td>
</tr>
<tr>
<td>14</td>
<td>BANKRUPTCY LIQUIDATION FILED BY BORROWER</td>
</tr>
<tr>
<td>15</td>
<td>BANKRUPTCY REORGANIZATION FILED BY BORROWER</td>
</tr>
<tr>
<td>16</td>
<td>BANKRUPTCY REORGANIZATION IN EFFECT: LOAN IS CURRENT AS PER BANKRUPTCY PLAN</td>
</tr>
<tr>
<td>17</td>
<td>BANKRUPTCY REORGANIZATION WITH COURT ORDERED INTEREST RATE REDUCTION IN EFFECT: LOAN IS CURRENT AS PER BANKRUPTCY PLAN</td>
</tr>
</tbody>
</table>

**Note:** If code 1-2, 4-7, 9 or 14-15 is entered, default status reports must be prepared every 60 days. If code 8, 11-13, or 16-17 is entered, no further default status reports are required unless the borrower returns to default status at a future date.
Report of Collection Activities on Liquidation Accounts

• Form FSA-2261
• After a final loss is paid....
• Must be submitted for annually for 3 years thereafter
• Updates FSA on actions to collect the deficiency
• Final loss payment does not release the borrower of liability for the guaranteed debt (exception is bankruptcy discharge)
## Delinquency Timeline

<table>
<thead>
<tr>
<th>Delinquent Loan Servicing</th>
<th>Timeline (Monetary Default)---*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment Due Date</td>
<td>Payment Missed</td>
</tr>
<tr>
<td>30 Calendar Days After Due Date</td>
<td>Borrower in Default</td>
</tr>
<tr>
<td>Within 45 Calendar Days After Due Date</td>
<td>Meeting Between Borrower and Lender</td>
</tr>
<tr>
<td>60 Calendar Days After IA Determination</td>
<td>Earliest Date that Lender Can Initiate Foreclosure Action</td>
</tr>
<tr>
<td>Within 120 Calendar Days After Due Date</td>
<td>Loan Restructuring Plan Implemented or Decision to Liquidate Made</td>
</tr>
</tbody>
</table>
## Liquidation Process

<table>
<thead>
<tr>
<th>Liquidation Dates</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>Earliest date that lender may file to liquidate security.</td>
</tr>
<tr>
<td><strong>Note:</strong></td>
<td>Sixty calendar days after disposition of IA eligibility issue (paragraph 300).</td>
</tr>
<tr>
<td>90</td>
<td>Lender gives notice to borrower and accelerates the loan or implements a loan restructuring plan.</td>
</tr>
<tr>
<td>120</td>
<td>Lender must reach a decision as to whether the account will be restructured or liquidated.</td>
</tr>
<tr>
<td>150</td>
<td>Liquidation plan and estimated loss claim must be submitted.</td>
</tr>
<tr>
<td>164</td>
<td>Estimated protective advances must be concurred with by FSA.</td>
</tr>
<tr>
<td>170</td>
<td>Liquidation plan must be approved by FSA.</td>
</tr>
<tr>
<td>180</td>
<td>Estimated loss claim must be approved by FSA.</td>
</tr>
<tr>
<td>260</td>
<td>Liquidation completed.</td>
</tr>
<tr>
<td>290</td>
<td>Final loss claim submitted.</td>
</tr>
<tr>
<td>330</td>
<td>FSA should approve or request modification of final loss claim.</td>
</tr>
<tr>
<td><strong>Note:</strong></td>
<td>Forty calendar days after submission of final loss claim (subparagraph 360 F).</td>
</tr>
</tbody>
</table>
Liquidation Plan

- Proposed liquidation activities
- Complete inventory of security
- Maximize collection of the debt
- Appraisal report on collateral
- Possible action on non-pledged assets
Summary

• Current Situation
• Available Servicing Options
• Farm Visits & Inspections
• Keeping FSA Informed
• Reporting Requirements
Questions
Additional Resources


• Your local FSA Office

• Oregon State Office
  Kathey.Brucker@usda.gov
  Paul.Long@usda.gov
  Robert.Perry@usda.gov
Thank you for participating in today’s meeting