

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency  
Washington, DC 20250

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**Guaranteed Loan Making and Servicing  
2-FLP (Revision 1)**

**Amendment 3**

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



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**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 34 C has been removed because ALP is not longer available in CFR.

Subparagraph 340 B has been amended to require that if interest is still accruing on the loan, all recovery proceeds must be applied to principal first, and then toward accrued interest.

Subparagraph 342 B has been amended to provide that lenders may already have had an estimated loss claim approved by FSA before the reorganization bankruptcy, and if so, they may need to submit a revised loss claim as a result of the reorganization plan.

Subparagraph 342 D has been amended to correct the CFR language.

Subparagraph 343 A has been amended to remove information on calculating timeframes.

Paragraph 355 has been amended to:

- require the lender to submit an estimated loss claim along with the liquidation plan no later than 150 calendar days past the payment due date unless the account has been completely liquidated, in which case a final loss claim must be filed
- provide that the initial FSA-2248 will indicate whether interest assistance was considered as an option to correct the default
- remove the date of decision to liquidate
- clarify that lenders are required to prepare a liquidation plan and submit an estimated loss claim no later than 150 calendar days past the payment due date unless the account has been completely liquidated and then a final loss claim must be filed
- clarify that FSA will not pay interest beyond 210 calendar days from the payment due date.

Subparagraph 357 A has been amended to remove the date of decision to liquidate.

## **Amendment Transmittal (Continued)**

### **A Reasons for Amendment (Continued)**

Paragraph 358 has been amended to clarify that:

- all lenders must prepare a liquidation plan within 150 calendar days of the payment due date, rather than once the decision to liquidate has been made
- SEL and CLP lenders will prepare and submit a liquidation plan within 150 calendar days of the payment due date, rather than within 30 days of the decision to liquidate.

Subparagraph 359 A has been amended to:

- clarify that an estimated loss claim must be submitted by all lenders no later than 150 calendar days past the payment due date
- eliminate the date of decision to liquidate
- clarify that FSA will not pay interest beyond 210 calendar days from the payment due date.

Subparagraph 359 G has been amended to:

- remove the date of decision to liquidate
- clarify that FSA will not pay interest beyond 210 calendar days from the payment due date, and that if the lender estimates that there will be no loss after considering the costs of liquidation, interest accrual will cease no later than 210 calendar days from the payment due date
- clarify that the application of the loss claim payment to the account does not release the borrower of liability for any portion of the borrower's debt to the lender.

Subparagraph 360 B has been amended to clarify that all proceeds should be applied to principal first and then toward accrued interest if the interest is still accruing.

Subparagraph 360 F has been amended to clarify that FSA will pay additional days of interest if FSA fails to process the claim within the 40 calendar day time period, and that application of the loss claim payment to the account does not release the borrower of liability for any portion of the borrower's debt to the lender.

Subparagraph 362 A has been amended to clarify that the application of the loss claim payment to the account does not release the borrower of liability for any portion of the borrower's debt to the lender, and that the lender continues to have the responsibility to collect the full amount of the debt and share these collections in proportion to the guaranteed percentage.

**Amendment Transmittal (Continued)**

<b>Page Control Chart</b>		
<b>TC</b>	<b>Text</b>	<b>Exhibit</b>
	3-3, 3-4 11-15, 11-16 13-1, 13-2 13-5 through 13-8 14-1 through 14-10 14-13 through 14-22 14-25 through 14-28	1, pages 3, 4



**32 Conflict of Interest (7 CFR 762.110(f)) (Continued)****B FSA Employees**

An FSA employee shall not participate, directly or indirectly, in deliberations on, or determination of, any matter affecting the application or servicing of guaranteed (or direct) loan to any relative of the employee, any person residing in the employee's household, anyone with continuing business dealings with the employee, or any entity controlled by the employee.

Any processing or servicing activity conducted according to this subparagraph is subject to 3-PM provisions.

**33 Review and Appeals (7 CFR 762.104)****A Appeal Rights**

7 CFR Part 11 (the National Appeals Division regulation) stipulates that an adverse guaranteed loan approval or loan servicing decision directly affects the applicant/borrower and grants appeal rights to the applicant/borrower. The lender is defined as an "interested party", without appeal rights.

Because an adverse decision of a liquidation plan, interest assistance claim, or loss claim directly affect the lender, the lender will be provided with appeal rights when making an adverse decision in these situations.

**A decision made by the lender adverse to the borrower is not a decision by the Agency, whether or not concurred in by the Agency, and may not be appealed.**

**The lender or Agency may request updated information from the borrower to implement an appeal decision.**

**B Handling Appeals**

FSA appeals will be handled **in accordance with parts 11 and 780 of this title** (1-APP).

**34 Lender List and Classification (7 CFR 762.101(b))**

**A Lender List**

**The Agency maintains a current list of lenders who express a desire to participate in the guaranteed loan program. This list is made available to farmers upon request.**

**B Classification**

**Lenders who participate in the Agency guaranteed loan program will be classified into one of the following categories:**

- **Standard Eligible Lender** (paragraph 46)
- **Certified Lender** (paragraph 50)
- **Preferred Lender** (paragraph 52).

\* \* \*

**35-45 (Reserved)**

**267 FSA Loan Servicing Responsibilities****A Overview**

Authorized agency officials will be FSA's primary point of contact with lenders on a day-to-day basis. Authorized agency officials must ensure that lenders are appropriately managing their guaranteed loans, and submitting all required reports on time. In cases where lenders may have deficiencies in loan servicing, the authorized agency official should provide loan servicing guidance and assistance.

The purpose of performing lender file reviews is to protect the guarantee, preserve lender status, and minimize losses and the need for adjustments to loss claims.

As part of the review, authorized agency officials will note whether they have become aware of the lender being under any enforcement actions either through checking the appropriate regulatory web sites in subparagraph 46 C or through discussions with the lender.

**B Lender Loan Files Review Priorities**

For each SEL, FSA will annually review the files of 40 percent of the lender's outstanding guaranteed OL and/or OL-LOC borrowers, unless the 40 percent requirement would result in borrowers being reviewed who were reviewed the previous year. If the 40 percent requirement would result in some of the same borrowers being subject to review, then, for those borrowers, the review will be every other year. SEL files for FO-only borrowers will be reviewed within 3 years of the date the loan is closed and subsequently if the loans become nonperforming. For each CLP and PLP lender, FSA must annually review the files of 20 percent of the lender's outstanding guaranteed loan borrowers. If the file reviews for a PLP lender have found no major deficiencies during the first 3 years of reviews, the \*--frequency of file reviews may be reduced to biennially, and the number of files reviewed may be reduced to a minimum of 5 borrowers, or 10 percent of the lender's borrowers, --\* whichever is greater. For lenders processing guaranteed loans in more than 1 State, the file reviews should be done in the State where the lender is headquartered, and other States in the lender's service area may send personnel to assist in the review.

**267 FSA Loan Servicing Responsibilities (Continued)****B Lender Loan Files Review Priorities (Continued)**

Loans are selected for review according to the following priorities:

- loans receiving consideration for rescheduling, deferral, writedown, transfer and assumption, or substitution of lender
- delinquent loans or loans which the lender or FSA has identified as high risk
- loans in which the funds were used to refinance the lender's own debt
- the most recent loans closed by the lender and not yet reviewed
- other loans.

FSA-2293 and PLP Checklist, developed by the National Office for each specific lender, may be used to document the lender file reviews. All questions on each FSA-2293 and PLP Checklist do not require completion for each file reviewed, as long as reviews are sufficient to document that lenders are meeting the underwriting, origination, and servicing requirements of their Lenders Agreement and this handbook. In addition to the lender's loan file, a copy of the loan account ledger should be obtained and reviewed. Additional information may be requested and reviewed by FSA, if necessary, based on deficiencies noted in the file, in loss claim reviews, or as suggested by other parties. SED shall determine how the file review requirement will be met in their State.

**Note:** See Exhibit 4 for State supplement requirements.

**Part 13 Bankruptcy**

**340 Bankruptcy (7 CFR 762.148(a))**

**A Overview**

**The lender must protect the guaranteed loan debt and all collateral securing the loan in bankruptcy proceedings.**

**B Lender Losses**

Lenders can apply to FSA to recover principal, interest, and certain expenses lost as a result  
\*-of bankruptcy proceedings. However, if interest is still accruing on the loan, all recovery  
proceeds must be applied to principal first and then toward accrued interest.--\*

**341 Lender's Responsibilities in Bankruptcy Proceedings (7 CFR 762.148(a))****A Lender Responsibilities in Bankruptcy Cases**

Lenders must satisfy all requirements pertaining to a creditor in a bankruptcy proceeding, including the procedures under Chapter 7 (Liquidation), Chapter 11 (Reorganization), Chapter 12 (Adjustment of Debts of a Family Farmer with Regular Annual Income), or Chapter 13 (Adjustment of Debts of an Individual with Regular Income) of the Bankruptcy Code (Title 11 of the United States Code), whichever is applicable. Lenders must ensure that a valid proof of claim is submitted; that collateral securing the guaranteed loan is protected; and that all rights of participation are exercised or protected. **The lender's responsibilities include, but are not limited to,** the following requirements.

- **Filing a proof of claim where required and all the necessary papers and pleadings.** If the loan includes FSA-2253, it must be included in the lender's proof of claim. See paragraph 288.
- **Attending, and where necessary, participating in meetings of the creditors and court proceedings.**
- **Protecting the collateral securing the guaranteed loan and resisting any adverse changes that may be made to the collateral.** If the debtor remains in possession, the lender must monitor for any adverse changes that may be made to the collateral and resist those changes by legal action, repossession of the collateral, or other suitable means. If the trustee in bankruptcy has assumed jurisdiction over the collateral, the lender must cooperate with the trustee in the administration of the estate. Such cooperation, however, should not preclude the lender from opposing actions of the trustee that do not advance the interests of the lender. The lender should attend and observe any public sales of collateral held by the trustee, and if appropriate submit a minimum bid.
- **Seeking a dismissal of the bankruptcy proceeding when the operation as proposed by the borrower to the bankruptcy court is not feasible.**

**342 Lender's Claims for Expenses and Estimated Losses in Reorganization Bankruptcy Proceedings (7 CFR 762.148) (Continued)****B Claims for Estimated Losses of Principal and Interest in Reorganizations**

Lenders may submit a claim for losses of principal and interest sustained as a result of a \*--reorganization plan in a bankruptcy reorganization proceeding. Lenders may have had an estimated loss claim approved by FSA before the reorganization bankruptcy filing. These lenders may have to submit a revised loss claim as a result of the reorganization plan.--\*

- Claims should be submitted using FSA-2254 to the authorized agency official. The authorized agency official shall review the claim using FSA-2295 and either request modifications by the lender or forward the claim to SED with recommendations and supporting documents as necessary.
- **At confirmation, the lender may submit an estimated loss claim upon confirmation of the reorganization plan in accordance with the following:** The initial estimated loss claim must include a copy of the confirmed bankruptcy plan and a memorandum clearly indicating the plan's confirmation date, the date the plan is to go into effect, and any other relevant information concerning the loan and the loss claim, or such supporting documentation must be supplied immediately following confirmation of the plan. The loss will be paid as of the plan's effective date with no additional interest accrual after that date.
- **The estimated loss claim will cover the guaranteed percentage of the principal and accrued interest written off, plus any allowable costs incurred as of the effective date of the plan.**
- **The lender will submit supporting documentation for the loss claim.**
- **The estimated loss payment may be revised as consistent with a court-approved reorganization plan.**
- The estimated loss claim may be revised after a court approved partial liquidation of the collateral. When this occurs, the revised claim will be based upon the actual value received for the liquidated collateral as long as the lender made every effort to ensure that maximum proceeds were received.

**342 Lender's Claims for Expenses and Estimated Losses in Reorganization Bankruptcy Proceedings (7 CFR 762.148) (Continued)****C Claims for Estimated Interest-Only Losses in Reorganizations**

**Lenders may submit an estimated loss claim for interest only after confirmation of the reorganization plan in accordance with the following.**

- Claims should be submitted using FSA-2254 to the authorized agency official.
- The interest-only estimated loss claim can be approved only after the confirmation date of the reorganization plan.
- The initial interest-only estimated loss claim may include a claim for interest accrued to the effective date of the reorganization plan (the date when the plan becomes effective). This date may be later than the date the plan is approved by the court (the confirmation date). This loss will be paid as of the plan's effective date with no additional interest accrual after that date.

•\*--If the loan has a variable rate that remains at or below the court-ordered rate during--\* the claim period, no loss claim may be submitted.

- Subsequent claims for interest-only estimated losses covering 1-year periods following the effective date of the reorganization plan may be submitted annually, and will be processed on the anniversary date of the effective date of the reorganization plan or immediately thereafter.
- **The loss claims may cover interest losses sustained as a result of court-ordered, permanent interest rate reduction.**
- **The loss claims will be processed annually on the anniversary date of the effective date of the reorganization plan.**

**Note:** Loss claims may also be processed immediately following the payment due date established in the reorganization plan and on that date annually thereafter.

- **If the borrower performs under the terms of the reorganization plan, annual interest reduction loss claims will be submitted on or near the same date, beyond the period of the reorganization plan.**

**342 Lender's Claims for Expenses and Estimated Losses in Reorganization Bankruptcy Proceedings (7 CFR 762.148) (Continued)****D Claims for Reimbursement of Protective Advances in Reorganizations**

Protective advances made and approved in accordance with § 762.149 may be included in an estimated loss claim associated with a reorganization, if:

- they were incurred in connection with the initiation of liquidation action prior to bankruptcy filing
- the advance is required to provide repairs, insurance, etc. to protect the collateral as a result of delays in the case, or failure of the borrower to maintain the security.

Interest \* \* \* on protective advances will accrue only to the effective date of the reorganization plan.

**E Claims for Actual Losses in Reorganizations**

Once the reorganization plan is complete, the lender will provide the Agency with documentation of the actual loss sustained.

- If the actual loss sustained is greater than the estimated loss payment, the lender may submit a revised estimated loss claim to obtain payment of the additional amount owed by the Agency under the guarantee.
- If the actual loss is less than the prior estimated loss, the lender will reimburse the Agency for the overpayment plus interest at the note rate from the date of the payment of the estimated loss.

**F Payment to Holder in Reorganizations**

In reorganization bankruptcy, if a holder makes demand upon the Agency, the Agency will pay the holder interest to the plan's effective date. Accruing interest thereafter will be based upon the provisions of the reorganization plan. For lender and FSA responsibilities upon FSA repurchase, see subparagraph 376 B.

**343 Lender's Claims for Expenses and Estimated Losses in Liquidation Bankruptcy Proceedings (7 CFR 762.148)****A Claims for Expenses in Liquidation**

**[7 CFR 762.148(b)] Reasonable and customary liquidation expenses may be deducted from the proceeds of the collateral in liquidation bankruptcy cases or in reorganization bankruptcy where the plan calls for a partial liquidation of the collateral.**

- **In-house expenses are not considered reasonable and customary liquidation expenses and may not be deducted from collateral proceeds.**
- **[7 CFR 762.148(d)] Upon receipt of notification that a borrower has filed for protection under Chapter 7 of the Bankruptcy Code, or upon confirmation of a liquidation plan under Chapter 11, the lender must proceed according to the liquidation procedures of this part (Part 14).**

**\* \* \***

- **If the property is abandoned by the trustee, the lender will conduct the liquidation according to § 762.149, and seek to realize value from the property.**
- **Proceeds received from partial sale of collateral during bankruptcy may be used by the lender to pay reasonable costs, such as freight, labor and sales commissions, associated with the partial sale. Reasonable use of proceeds for this purpose must be documented with the final loss claim in accordance with § 762.149(a)(vi).**

**Part 14 Liquidation**

**355 Liquidation Process (7 CFR 762.149)**

**A Liquidation Process Overview**

After a lender has determined that a borrower’s financial difficulties cannot be solved with any 1 or combination of the loan restructuring options, the lender must liquidate the loan. All lenders are expected to proceed with liquidation in the following chronological order.

- The lender must give the borrower notice that the loan will be liquidated.
- The lender must accelerate the note.
- The lender must prepare a liquidation plan. SEL and CLP lenders will provide FSA with a copy.
- The lender must submit an estimated loss claim with the liquidation plan \* \* \* .
- The lender must liquidate the security.
- The lender must submit a final loss claim.
- The lender must remit future recoveries to FSA in proportion to the percentage of the guarantee.

Liquidation steps (maximum timeframes) are summarized as follows.

All dates measured in calendar days after payment due date unless otherwise noted.	
<b>60*</b>	Earliest date that lender can file to liquidate security
<b>90</b>	Lender gives notice to borrower and accelerates the loan or implements a loan restructuring plan
<b>120</b>	Lender must reach decision as to whether the account will be restructured or liquidated.
<b>150</b>	Liquidation plan and estimated loss claim must be submitted.
<b>164</b>	Estimated protective advances must be concurred with by FSA.
<b>170</b>	Liquidation plan must be approved by FSA.
<b>180</b>	Estimated loss claim must be approved by FSA.
<b>260</b>	Liquidation completed.
<b>290</b>	Final loss claim submitted.
<b>330**</b>	FSA should approve or request modification of final loss claim.
* 60 calendar days after disposition of IA eligibility issue (see paragraph 300).	
** 40 calendar days after submission of final loss claim (see subparagraph 360 F).	

**355 Liquidation Process (7 CFR 762.149) (Continued)****B Earliest Date the Lender Can File to Liquidate Security**

The lender may not initiate foreclosure action on the loan until 60 calendar days after eligibility of the borrower to participate in the IA Program has been established by FSA. The lender and borrower must discuss IA Program eligibility at the default meeting. See paragraph 300 for more information on this meeting. If IA eligibility was waived in writing by the borrower, the lender may prepare to liquidate the loan immediately following receipt of the waiver.

It is the lender's prerogative to request IA on a loan, regardless of the borrower's desire or eligibility for the subsidy. However, it must be considered and documented in some fashion that it was rejected as an option. The authorized agency official shall remind the lender of this requirement if they attend the post default lender borrower meeting. Following this meeting or receipt of FSA-2248, the authorized agency official shall make a written entry in the running record of the borrower's FSA file as to the date that IA was considered and when the 60-calendar-day abeyance period ends.

**C FSA-2248 Is Submitted**

FSA-2248 must be submitted following the lender-borrower default meeting and every  
 \*-60 calendar days thereafter. The initial FSA-2248 will notify FSA that the borrower is in default and if IA was considered as an option to correct the default. Subsequent FSA-2248 will comment on the progress of liquidation and identify any problems the lender is--\* having or may have in completing the liquidation in a timely manner.

If FSA-2248 is not received as required, the authorized agency official shall contact the lender, inquire as to the status of the account and request that an accurate report be provided. If necessary, this contact should be followed up with a letter, and if the authorized agency official feels it is necessary, a copy provided to SED. Interest that accrues during unnecessary delays will not be paid as part of a loss claim. SED and DD shall monitor  
 \*-guaranteed loan delinquency reports to ensure that liquidating accounts are being monitored and FSA-2248 are being filed timely.--\*

**355 Liquidation Process (7 CFR 762.149) (Continued)****D Decision to Liquidate Must Be Reached or a Loan Restructuring Plan Must Be Implemented**

Sometime between the date that the borrower's payment was due but not paid and 45 calendar days thereafter, the lender is expected to notify the borrower of the default and meet with the borrower to discuss solutions. Within 75 calendar days of this meeting (or unsuccessful attempts to meet) the account should be paid current or restructured. If a solution that requires more than 75 calendar days (90 calendar days after default) is agreed to, the reasons should be indicated on FSA-2248. The authorized agency official shall review FSA-2248 and depending on what the lender's plans are, concur with the lender's plan, request a restructuring plan, request a liquidation plan, or mark the file for a follow up action as of the date the account is supposed to be paid current.

**E Liquidation Plan and Estimated Loss Claim Must Be Submitted**

**\*--Within 150 days after the payment due date, all lenders will prepare a liquidation plan. Standard eligible and CLP lenders will submit a written liquidation plan to the Agency (see paragraph 358). The authorized agency official shall review the lender's estimates of timeframes and, based on their knowledge of the case and similar cases in their area, advise the lender of any concerns. An estimated loss claim must be filed no later than 150 days past the payment due date unless the account has been completely liquidated and then a final loss claim must be filed (see paragraph 359). PLP lenders will submit a liquidation plan as required by their lender's agreement.**

FSA will not pay interest beyond 210 calendar days from the payment due date. If the lender estimates that there will be no loss after considering the costs of liquidation, an estimated loss of zero will be submitted within 150 calendar days of the payment due date. See subparagraph 360 F for information about additional interest that may be paid in some Chapter 7 Bankruptcy cases and when State redemption rights delay the sale of the property. See subparagraph 359 A for information on filing estimated loss claims.--\*

**355 Liquidation Process (7 CFR 762.149) (Continued)****F Liquidation Plan Is Approved or Rejected by FSA**

When the decision has been made to liquidate, a liquidation plan is required to be submitted by a CLP lender or SEL in all cases, including where all of the security has been sold, the borrower is liquidating voluntarily, or when no loss is expected. FSA shall review a lender's liquidation plan and either approve it or request modifications within 20 calendar days after it is received. See subparagraph 358 F.

**G Estimated Loss Claim Is Approved by FSA or Modified by Lender**

*\*--When an estimated loss claim is submitted, it may be reviewed and approved separately--\** from the liquidation plan. FSA shall respond in writing within 30 calendar days of the receipt of the lender's estimated loss claim. If FSA wants to dispute the estimated loss claim, FSA will resolve their differences with the lender before this 30-calendar-day deadline. See subparagraph 359 F.

SED shall determine the level of review to be conducted on each estimated loss claim. Estimated loss claims submitted by PLP lenders will be reviewed only for the accuracy of FSA-2254 and any mathematical calculations. Lenders will reimburse FSA for any overpayments on estimated loss claims at the time of a final loss, plus interest, at the note rate.

**H Liquidate**

Liquidation is expected to be completed within 230 calendar days after the borrower was declared in default, unless otherwise approved in the liquidation plan.

**I Final Loss Claim Is Submitted**

**Lenders may submit a final loss claim when the security has been liquidated and all proceeds have been received and applied to the account.** See paragraph 360.

A final loss claim should be submitted within 30 calendar days of the completion of liquidation or within 260 calendar days after the borrower was declared in default, unless an extension of this period is granted. The authorized agency official shall document the request for an extension and approve it or reject it as soon as practical.

The authorized agency official shall monitor liquidations and request a loss claim when they are aware that an account has been liquidated. A final loss claim will be reduced if there are unjustified delays in liquidation or submission of a claim. If the account is paid in full, FSA-2248 and FSA-2241 shall be input indicating that the loan is paid and the guarantee terminated.

**356 Mediation (7 CFR 762.149(a))****A Mediation Requirements**

**When it has been determined that a default cannot be cured through any of the servicing options available or if the lender does not wish to utilize any of the authorities provided in this part, the lender must:**

- **participate in mediation according to the rules and regulations of any State which has a mandatory farmer-creditor mediation program**
- **consider private mediation services in those states which do not have a mandatory farmer-creditor mediation program**
- **not agree to any proposals to rewrite the terms of a guaranteed loan which do not comply with this part.**

**Any agreements reached as a result of mediation involving defaults and or loan restructuring must have written concurrence from the Agency before they are implemented.**

If requested by the lender, FSA may participate in mediation to provide guidance on FSA regulations and guidelines. However, the FSA representative may not concur on any restructuring plans that require FSA approval during a mediation meeting. Restructuring plans developed during mediation that require FSA approval must be submitted to the local credit office according to Part 12.

Though not indicated in the liquidation time line, the mediation process should begin immediately following a lender's decision to liquidate a loan. If the borrower fails to attend the default meeting required by paragraph 300, or if this meeting does not result in a plan for restructuring, then the lender should notify the borrower of the results of the meeting and their intention to proceed with liquidation of the account. This notification should include an offer of mediation, an explanation of what mediation may accomplish, and instructions on how and where a mediation hearing may be requested. This information is available from FSA State Offices or the State Department of Agriculture of the State in which the borrower is located.

**B Lender Participation in Mediation**

If SED determines that a lender's failure to participate in a mediation program caused a loss to the Government, a final loss claim payment may be reduced or denied. SEL lenders who consistently fail to participate in mediation may jeopardize consideration for CLP or PLP status.

**357 Foreclosure and Acceleration (7 CFR 762.149)****A Overview**

\* \* \* The lender must initiate foreclosure action and accelerate the loan. The lender may not initiate foreclosure action on the loan until 60 calendar days after eligibility of the borrower to participate in the IA Program has been established by FSA. The lender may accelerate the loan before FSA approval of a liquidation plan.

**B Borrower Files for Bankruptcy After Loan Note is Accelerated**

If the borrower files bankruptcy after the loan note is accelerated, the lender suspends liquidation proceedings until 1 of the following actions:

- bankruptcy case is dismissed or closed
- order lifting automatic stay is obtained from the court
- \*--property is no longer property of the bankruptcy estate and the borrower has been--\* discharged (see Part 13).

**357 Foreclosure and Acceleration (7 CFR 762.149) (Continued)****C Acceleration**

**If the borrower is not in bankruptcy, the lender shall send the borrower notice that the loan is in default and the entire debt has been determined due and payable immediately after other servicing options have been exhausted.** Foreclosure proceedings commence once a loan is accelerated.

**The loan cannot be accelerated until after the borrower has been considered for Interest Assistance and the conclusion of mandatory mediation in accordance with § 762.149(a) (paragraph 356).**

**The lender will submit a copy of the acceleration notice or other document to the Agency.**

The lender accelerates a loan note by giving the borrower written notice by certified mail that the loan is in default and the entire debt is due and payable. The lender must make a copy of the acceleration notice and attach it to the first FSA-2248 that is submitted following note acceleration. Once a note is accelerated, the borrower will typically have 30 calendar days from the date of acceleration to make payment in full by cash, transfer, sale of property, or voluntary conveyance. If the borrower fails to satisfy the account in the period specified in the notice, the foreclosure process will continue until the loan security is liquidated.

Once the note is accelerated all other servicing procedures other than liquidation and its associated actions, such as making protective advances, cease.

**357 Foreclosure and Acceleration (7 CFR 762.149) (Continued)****D Foreclosure**

**The lender is responsible for determining who the necessary parties are to any foreclosure action or who should be named on a deed of conveyance taken in lieu of foreclosure.**

**When the property is liquidated, the lender will apply the net proceeds to the guaranteed loan debt.**

**When it is necessary to enter a bid at a foreclosure sale, the lender may bid the amount that it determines is reasonable to protect its and the Agency's interest. At a minimum, the lender will bid the lesser of the net recovery value or the unpaid guaranteed loan balance.**

Foreclosure refers to the comprehensive process of preparing for and selling the collateral that secures a loan that is being liquidated. Therefore, the foreclosure process begins once the lender decides to accelerate the loan in preparation for liquidation and ends once the loan's security is liquidated.

**358 Lender Liquidation Plan (7 CFR 762.149(b))****A Overview**

\*--All lenders must prepare a liquidation plan with 150 calendar days of the payment due date. SEL and CLP lenders must submit a liquidation plan. If applicable, the lender should submit a request for IA reimbursement to FSA within 30 calendar days. The liquidation plan--\* must include a schedule of all projected liquidation activities, and a complete inventory of the security to be sold.

**B General Requirements**

**If a default cannot be cured after considering servicing options and mediation, the lender will proceed with liquidation of the collateral in accordance with the following.**

\*--**Within 150 days after the payment due date, all lenders will prepare a liquidation plan. Standard eligible and CLP lenders will submit a written liquidation plan to the Agency which includes:--\***

- **Current balance sheets from all liable parties or, if the parties are not cooperative, the best information available, or in liquidation bankruptcies, a copy of the bankruptcy schedules or discharge notice**
- **A proposed method of maximizing the collection of debt which includes specific plans to collect any remaining loan balances on the guaranteed loan after loan collateral has been liquidated, including possibilities for judgment**
- **If the borrower has converted loan security, the lender will determine whether litigation is cost effective. The lender must address, in the liquidation plan, whether civil or criminal action will be pursued. If the lender does not pursue the recovery, the reason must be documented when an estimated loss claim is submitted (subparagraph 360 E).**
- **Any proposal to release the borrower from liability will be addressed in the liquidation plan in accordance with § 762.146(c)(2) (paragraph 361).**

**Note:** If according to paragraph 361 the release of liability can be approved, it will not be granted until either all of the collateral is voluntarily conveyed to the lender or it is liquidated.

**358 Lender Liquidation Plan (7 CFR 762.149(b)) (Continued)****B General Requirements (Continued)**

- **an independent appraisal report on all collateral securing the loan that meets the requirements of § 762.127 (paragraphs 181 through 183) and a calculation of the net recovery value of the security as defined in §762.102 (Exhibit 10). The appraisal requirement may be waived by the Agency in the following cases:**

**Note:** For poultry and other CAFO facility appraisals, see Exhibit 15.

- **the bankruptcy trustee is handling the liquidation and the lender has submitted the trustee's determination of value**
- **the lender's proposed method of liquidation rarely results in receipt of less than market value for livestock and used equipment**
- **a purchase offer has already been received for more than the debt.**
- **an estimate of time necessary to complete the liquidation**
- **an estimated loss claim if the liquidation period is expected to exceed 90 days (paragraph 359)**
- **an estimate of reasonable liquidation expenses**
- **an estimate of any protective advances (paragraph 360).**

**C Liquidation Status Reports**

Lenders must submit FSA-2248 to the authorized agency official every 60 calendar days during liquidation to report on the progress of liquidation. This report should provide information on the disposition of collateral, costs incurred, and specific actions taken by the lender or their representative since the previous FSA-2248 submission.

Details on future planned actions, and their estimated dates, must be identified on FSA-2248. Further, any changes in the approved liquidation plan must also be identified on FSA-2248. The authorized agency official shall input the loan status information on FSA-2248 into the GLS and monitor lender compliance with the 60-calendar-day reporting cycle for any loan in default until payment of a final loss claim.

## 359 Lender Submission of Estimated Loss Claim (7 CFR 762.149)

## A Overview

**\*--An estimated loss claim must be submitted by the lenders no later than 150 days after the payment due date unless the account has been completely liquidated and then the final loss claim must be filed. The estimated loss will be based on the following:--\***

- **The Agency will pay the lender the guaranteed percentage of the total outstanding debt, less the net recovery value of the remaining security, less any unaccounted for security**
- **The lender will discontinue interest accrual on the defaulted loan at the time the \*--estimated loss claim is paid by the Agency. The Agency will not pay interest beyond 210 days from the payment due date. If the lender estimates that there will be no loss after considering the costs of liquidation, an estimated loss of zero will be submitted and interest accrual will cease upon approval of the estimated loss and never later than 210 days from the payment due date.--\***

See subparagraph 329 C for loss claims on restructured loans.

## B Estimated Liquidation Expenses

Certain reasonable costs to liquidate a loan may be included in the estimated loss claim. Eligible liquidation expenses include, but are not limited to, the following:

- appraisals
- marketing expenses
- auctioneer expenses
- legal fees.

**Note:** Legal fees associated with the liquidation are a liquidation expense. FSA allows reasonable and necessary legal fees, including fees incurred in a Chapter 7 liquidation bankruptcy, to be deducted from the sale of the collateral before application of the net proceeds to the guaranteed debt. Lenders will be compensated for liquidation expenses incurred before the filing of a reorganization bankruptcy proceeding. An estimate of legal fees, and all liquidation costs, must be provided with an estimated loss claim, and documentation of actual expenses incurred must be provided with the final loss claim.

**Packager fees and outside consultant fees for servicing of guaranteed loans are not covered by the guarantee, and will not be paid in an estimated \* \* \* loss claim.**

**359 Lender Submission of Estimated Loss Claim (7 CFR 762.149) (Continued)****B Estimated Liquidation Expenses (Continued)**

In-house expenses are not allowable liquidation costs. In-house expenses include, but are not limited to, the following:

- employee salaries
- staff lawyers
- photocopying
- travel.

**C Lender Submission of Estimated Loss Claim**

\*--Lenders will prepare and submit the estimated loss claim on FSA-2254 to the authorized--\* agency official \* \* \*. FSA-2254A will be used to provide calculations and other documentation to support the figures and estimates used on FSA-2254.

The lender's supporting documentation shall include the following:

- unpaid accrued interest
- advances
- payments
- periods of time
- interest rates
- principal balances.

SEL and CLP lenders will also be required to submit appraisals and other documentation to support the estimates on FSA-2254. Estimated loss claims for PLP lenders will only be reviewed for accuracy and calculations of FSA-2254. FSA-2254 instructions provide examples on how to complete certain fields.

The lender must justify and explain any liquidation expenses on the estimated loss claim on \*--FSA-2254A submitted with the estimated loss claim.--\*

**D Unapproved Loans or Advances**

**The amount of any payments made by the borrower on unapproved loans or advances outside of the guarantee will be deducted from any loss claim submitted by the lender on the guaranteed loan, if that loan or advance was paid prior, and to the detriment of, the guaranteed loan.**

**359 Lender Submission of Estimated Loss Claim (7 CFR 762.149) (Continued)****E FSA Approval of Protective Advances**

FSA will approve a request for a protective advance if the request is reasonable and the value of the security would decrease significantly if the advance was not made. FSA will respond within 14 calendar days to an SEL and CLP written request for concurrence on a protective advance. Concurrence with protective advances can be provided separately from approval of the liquidation plan.

PLP lenders will make protective advances according to the Lenders Agreement.

**F FSA Approval and Payment of Estimated Loss Claim**

The estimated loss claim may be reviewed and approved separately from the liquidation plan using FSA-2295. The estimated loss claim is submitted on FSA-2254 to the authorized agency official. After reviewing FSA-2254, the authorized agency official shall forward FSA-2254 and supporting documentation to SED with a recommendation to approve or dispute the estimated loss claim.

If SED finds the estimated loss claim to be accurate, SED shall approve the payment within 30 calendar days of estimated loss claim submission. If FSA wants to dispute the estimated loss claim, FSA shall attempt to resolve the differences with the lender within 30 calendar days of the submission.

After approval by SED, SED shall forward FSA-2254 to FSC, FLOO for payment of the estimated loss claim, by either of the following:

- FAXed to:
  - 314-539-3111 for States 01 through 32
  - 314-539-6447 for States 33 through 64
- sent to:

USDA-FSA-FSC-FLOO  
PO Box 200003  
St Louis MO 63120-0003.

FSC, FLOO shall issue a check to the lender within 30 calendar days of receiving FSA-2254. The PLP estimated loss claim will be paid after a brief review for accuracy.

**359 Lender Submission of Estimated Loss Claim (7 CFR 762.149) (Continued)****G Application of Estimated Loss Payment**

**The lender will discontinue interest accrual on the defaulted loan at the time the \*--estimated loss claim is paid by the Agency. The Agency will not pay interest beyond 210 days from the payment due date. If the lender estimates that there will be no loss after considering the costs of liquidation, an estimated loss of zero will be submitted and interest accrual will cease upon approval of the estimated loss and never later than 210 days from the payment due date.**

Interest may be paid in addition to the 210 calendar days allowed by this paragraph by the number of days the FSA review and approval of the claim extends beyond 40 calendar days when the delays were caused by FSA.

**The application of the loss claim payment to the account does not automatically release the borrower of liability for any portion of the borrower's debt to the lender. The--\* estimated loss payment compensates the lender for the loss, but does not reduce the loan balance or cure a delinquency, and should not be reflected as such on FSA-2248.**

**360 Lender Submission of Final Loss Claim (7 CFR 762.149)****A Overview**

**Lenders may submit a final loss claim when the security has been liquidated and all proceeds have been received and applied to the account.**

**B General Requirements**

**If a lender acquires title to property either through voluntary conveyance or foreclosure proceeding, the lender will submit a final loss claim after disposing of the property. The lender may pay reasonable maintenance expenses to protect the value of the property while it is owned by the lender. These may be paid as protective advances or deducted as liquidation expenses from the sales proceeds when the lender disposes of the property. The lender must obtain Agency written concurrence before incurring maintenance expenses which exceed the amounts allowed in § 762.149(e)(1) (subparagraph D).**

**The lender will make its records available to the Agency for the Agency's audit of the propriety of any loss payment.**

The final loss claim will be based on the amount received from the sale of the property, less expenses incurred for its care and maintenance, assuming the lender has acted expeditiously  
\*--and prudently to sell it. **All proceeds must be applied to the principal first and then toward accrued interest if the interest is still accruing.--\***

**360 Lender Submission of Final Loss Claim (7 CFR 762.149) (Continued)****C Lender Submissions of Final Loss Claim**

All lenders will submit the following documents with a final loss claim:

- **an accounting of the use of loan funds**
- **an accounting of the disposition of loan security and its proceeds**
- **a copy of the loan ledger indicating loan advances, interest rate changes, protective advances, and application of payments, rental proceeds, and security proceeds, including a running outstanding balance total**

**Note:** The lender's supporting documentation shall include the following:

- unpaid accrued interest
  - advances
  - payments
  - periods of time
  - interest rates
  - principal balances.
- 
- **documentation, as requested by the Agency, concerning the lender's compliance with the requirements of this part**
  - the name, SSN, and current address of any co-borrower or co-signer for liquidation of loans that were made using FSA-1980-25, FSA-1980-28, Application for Guarantee, or Preferred Lender Application with the July 20, 2001, or later revision date, if not previously submitted to FSA.

See subparagraph 359 B for liquidation expenses and legal fees.

**The lender will designate one or more financial institutions to which any Agency payments will be made via electronic funds transfer.**

Lenders should also submit the EFT account number that is to be used for transmission of any loss payment from the Government.

The lender will use FSA-2254A to explain protective advances and submit with the final loss claim.

**360 Lender Submission of Final Loss Claim (7 CFR 762.149) (Continued)****D Protective Advances**

Protective advances are expenses incurred by a lender to protect or preserve collateral from loss or deterioration. Protective advances should be shown on FSA-2254.

**Prior written authorization from the Agency is required for all protective advances in excess of \$5,000 for CLP lenders, \$3,000 for standard eligible lenders. The dollar amount of protective advances for PLP lenders will be specified when PLP status is \*--awarded by the Agency or as allowed and contained in the lender's agreement.**

PLP lenders, for which CMS does not contain the dollar amount of protective advances allowed, are required to obtain FSA's written authorization for advances in excess of \$5,000. All other PLP lenders shall follow their CMS in making protective advances.--\*

**The lender may claim recovery for the guaranteed portion of any loss of monies advanced as protective advances allowed in this part, plus interest that accrues on the protective advances.**

Interest that accrues on protective advances is limited to the guaranteed loan interest accrual cutoff if the protective advance is used to pay off the lender's prior lien.

**Payment for protective advances is made by the Agency when the final loss claim is approved, except in bankruptcy actions.**

**Protective advances are used only when the borrower is in liquidation, liquidation is imminent, or when the lender has taken title to real property in a liquidation action.**

**Legal fees are not a protective advance.**

**Protective advances may only be made when the lender can demonstrate the advance is in the best interest of the lender and the Government.**

**Protective advances must constitute a debt of the borrower to the lender and be secured by the security instrument.**

**Protective advances must not be made in lieu of additional loans.**

Protective advances approved by FSA may be made by a lender to protect or preserve the collateral from loss or deterioration. Additional loans made to improve the value of security, such as loans for home improvement, are not protective advances and should not be approved. Protective advances and the interest that accrues on the advances are covered by the guarantee.

**360 Lender Submission of Final Loss Claim (7 CFR 762.149) (Continued)****E Legal Fees**

Legal fees associated with liquidation are a liquidation expense, see subparagraph 359 B. Documentation of actual legal expenses incurred must be provided with the final loss claim.

**F FSA Approval and Payment of Final Loss Claim**

**The Agency will notify the lender of any discrepancies in the final loss claim or, approve \*--or reject the claim within 40 days. Failure to do so will result in additional interest days being paid to the lender for the number of days over 40 taken to process the claim. FSA officials may use FSA-2296 for this discrepancy review. The application of the loss claim payment to the account does not automatically release the borrower of liability for any portion of the borrower's debt to the lender.--\***

**Note:** For loans made using FSA-1980-25, FSA-1980-28, Application for Guarantee, or Preferred Lender Application with the July 20, 2001, or later revision date, before the payment of a final loss claim, FSA officials must have a copy of the original application, promissory note, Loan Guarantee, and the current interest rate if a variable rate loan.

**The Agency will reduce a final loss claim based on its calculation of the dollar amount of loss caused by the lender's negligent servicing of the account. Loss claims may be reduced or rejected as a result of the following:**

- **A loss claim may be reduced by the amount caused by the lender's failure to secure property after a default, and will be reduced by the amount of interest that accrues when the lender fails to contact the borrower or takes no action to cure the default, once it occurs**
- **Losses incurred as a result of interest accrual during excessive delays in collection, as determined by the Agency, will not be paid**
- **Unauthorized release of security proceeds, failure to verify ownership or possession of security to be purchased, or failure to inspect collateral as often as required to ensure its maintenance.**

**Packager fees and outside consultant fees for servicing of guaranteed loans are not covered by the guarantee, and will not be paid in a \* \* \* final loss claim.**

**Losses will not be reduced for the following:**

- **Servicing deficiencies that did not contribute materially to the dollar amount of the loss**
- **Unaccounted for security, as long as the lender's efforts to locate and recover the missing collateral was equal to that which would have been expended in the case of an unguaranteed loan in the lender's portfolio.**

**360 Lender Submission of Final Loss Claim (7 CFR 762.149) (Continued)****F FSA Approval and Payment of Final Loss Claim (Continued)**

**Default interest, late charges, and loan servicing fees are not payable under the loss claim.**

**The final loss will be the remaining outstanding balance after application of the estimated loss payment and the application of proceeds from the liquidation of the security. The lender will designate one or more financial institutions to which any Agency payments will be made via electronic funds transfer.**

In the case of a Chapter 7 bankruptcy, where the lender filed an estimated loss claim, FSA will pay the lender interest that accrues during and up to:

- **45 calendar days after the date of discharge on the portion of the chattel only secured debt that was estimated to be secured but upon final liquidation was found to be unsecured**
- **90 calendar days after the date of discharge on the portion of real estate secured debt that was estimated to be secured but was found to be unsecured upon final disposition**

**The Agency will pay the lender interest which accrues during and up to 90 calendar days after the time period the lender is unable to dispose of acquired property because of State imposed redemption rights, on any unsecured portion of the loan during the redemption period, if an estimated loss claim was submitted by the lender or paid by the Agency during the liquidation action.**

FSA shall pay the lender the guaranteed percentage of the unpaid balance remaining on the loan after liquidation and application of proceeds. To verify that the amount requested is valid, SED shall review the County Office loan file, the lender's loan ledgers, and, for PLP, the lender's loan file. If there are any discrepancies in the lender's application processing or loan servicing, the lender will be requested to provide clarification or explanation if the concern may have contributed to failure of the loan or caused a monetary loss. If security was not obtained as indicated on the application, the value will be deducted from the lender's claim, if that value is known or can be reasonably estimated. In the case of unaccounted for security that was not sold, traded, or explained in some manner, the value of the collateral will be deducted only to the extent that the actions of the lender contributed to its misplacement.

**360 Lender Submission of Final Loss Claim (7 CFR 762.149) (Continued)****F FSA Approval and Payment of Final Loss Claim (Continued)**

Interest accrual on a final loss should be the same as on the estimated loss except for the amount that accrued while the payment was being issued and in some Chapter 7 Bankruptcy cases and cases where State redemption rights delay disposal of property. \* \* \* If an estimated loss was not paid, SED shall determine whether the lender has liquidated the account in a timely manner. If liquidation was unduly delayed or the lender did not comply with the reporting requirements of this part, interest accrual will be included on the claim to the date that SED determines that liquidation should have reasonably been accomplished.

\*-Interest accrual as part of a lender's final loss claim will never exceed 210 calendar days from the payment due date, plus any additional days over 40 calendar days that it took FSA to review the claim up to the date of the check.

If an estimated claim was not submitted, interest accrual will not be paid beyond 150 calendar days from the payment due date for all loans made after July 9, 2008. For all loans made before July 9, 2008, interest accrual will not be paid beyond 90 calendar days from the date of the decision to liquidate as long as it does not exceed 210 calendar days from the payment due date.--\*

Interest accrual as part of a final claim will be the same as the estimated claim for all final claims in which an estimated claim was previously submitted except for some Chapter 7 Bankruptcy cases and where State redemption rights delay disposal of property.

FSA may pay a loss when a borrower sells security out of trust. If the borrower has converted loan security, the lender shall determine whether litigation is cost-effective. The lender must determine whether civil or criminal action is cost-effective and will be pursued. If the lender does not pursue the recovery, the reason must be documented when a loss claim is submitted. If recovery of converted security through legal action is possible, a lender may still submit a final loss claim and reimburse FSA according to subparagraph 362 A after proceeds are collected.

**361 Release of Liability After Liquidation (7 CFR 762.146(c)) (Continued)****C Loans Made Using FSA-1980-25, FSA-1980-28, Application for Guarantee, or Preferred Lender Application With the July 20, 2001, or Later Revision Date**

For loans made using FSA-1980-25, FSA-1980-28, Application for Guarantee, or Preferred Lender Application with the July 20, 2001, or later revision date, a lender's request to release the borrower of liability after liquidation of the collateral but before the payment of a final loss claim can only be approved by DAFLP. The payment of a final loss claim on these loans establishes a Federal debt that is subject to offset. (Collection of the Federal debt will be pursued according to 7 CFR 762.149(m). See paragraph 363.)

SED's shall thoroughly evaluate all requests and forward them to DAFLP with their recommendation. All requests will include an analysis along with supporting documentation that includes a monetary analysis as to why such an exception is in the Government's best interest. DAFLP will evaluate each request on a case-by-case basis. DAFLP's decision is final and is not appealable.

## 362 Miscellaneous Liquidation Items (7 CFR 762.149)

**A Future Recovery**

**\*--The application of the loss claim payment to the account does not automatically release the borrower of liability for any portion of the borrower's debt to the lender. The lender will continue to be responsible for collecting the full amount of the debt and sharing future recoveries with the Agency in accordance with paragraph (j) of this section.--\***

**The lender will remit any recoveries made on the account after the Agency's payment of a final loss claim to the Agency in proportion to the percentage of guarantee in accordance with the lender's agreement until the account is paid in full or otherwise satisfied.**

A lender receiving a loss payment must complete and return in a timely manner a report on its collection activities, FSA-2261, for each unsatisfied account for three years following payment of loss claims.

In late October of each year, the authorized agency official will forward FSA-2261 with instructions to lenders that have received a loss claim because of liquidation in the past 3 years. FSA-2261 must be completed and returned by November 30.

**Note:** FSA-2261 will not be completed for Chapter 7 liquidation bankruptcy cases that have received a discharge.

SED's shall compile State reports and submit the results to the National Office upon request.

When FSA's share of an amount is received, the funds will be deposited according to 3-FI. The following items will be completed on FSA-2254:

- enter code 4 in item 5, "Report Type Code"
- enter the date funds were received in item 15, "Date of Settlement"
- enter the amount received in item 51, "Amount Due FSA by Lender".

FSA-2254 will be FAXed or sent to FSC, FLOO as follows:

- FAXed to:
  - 314-539-3111 for States 01 through 32
  - 314-539-6447 for States 33 through 64

- sent to:

USDA-FSA-FSC-FLOO  
PO Box 200003  
St Louis MO 63120-0003.

**362 Miscellaneous Liquidation Items (7 CFR 762.149) (Continued)****A Future Recovery (Continued)**

For loans made using FSA-1980-25, FSA-1980-28, Application for Guarantee, or Preferred Lender Application with a July 20, 2001, or later revision date, lenders may only issue IRS-1099-C on the unguaranteed portion of the debt once the lender has met its future recovery obligations.

Once FSA has concluded its collection efforts, then FSA will cancel any remaining debt and report to IRS accordingly.

**B FSA Option to Liquidate**

**At its option, the Agency may liquidate the guaranteed loan as follows.**

- **Upon Agency request, the lender will transfer to the Agency all rights and interests necessary to allow the Agency to liquidate the loan. The Agency will not pay the lender for any loss until after the collateral is liquidated and the final loss is determined.**
- **If the Agency conducts the liquidation, interest accrual will cease on the date the Agency notifies the lender in writing that it assumes responsibility for the liquidation.**

Upon the recommendation of SED, DAFLP may approve liquidation of a guaranteed loan by FSA.

The lender will transfer to FSA all rights and interests necessary to allow the authorized agency official to liquidate the loan.

SED shall consult with OGC to answer questions relating to the assignment and transfer of the lender's loan documents to FSA. After the loan is transferred, the authorized agency official shall summarize the history of case, list all of the loan security and its estimated value, and address any other issues that SED or OGC have about the liquidation. SED shall refer the case to OGC to process the request for liquidation by the Government. SED shall send FSA-2262 to FSC, FLOO, and the authorized agency official shall oversee the liquidation. If requested by the lender, FSA shall provide an update on the liquidation proceedings. Interest accrual will stop when FSA notifies the lender in writing that FSA is assuming responsibility of the liquidation process. The final loss payment to the lender will not include interest beyond the date FSA took responsibility to liquidate. In this event, the lender is not paid for any loss until the collateral is liquidated and the final loss is determined.

**363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors  
(7 CFR 762.149(m))****A Establishment of a Federal Debt**

**[7 CFR 762.149(m)] Any amounts paid by the Agency on account of liabilities of the guaranteed loan borrower will constitute a Federal debt owing to the Agency by the guaranteed loan borrower. In such case, the Agency may use all remedies available to it, including offset under the Debt Collection Improvement Act of 1996 (DCIA), to collect the debt from the borrower. Interest charges will be established at the note rate of the guaranteed loan on the date that the final loss claim is paid.**

**Federal debt is established on the effective date of the final loss claim payment. All individuals liable for the debt will be subject to offset. FSA will use non-centralized administrative offset, including IAO of payments made by USDA, and centralized offset from the U.S. Department of Treasury's TOP, and by any other applicable debt collection methods to collect the debt owed to FSA.**

**FSA shall obtain copies of the promissory note, the original application, the loan guarantee, the final loss claim, and current interest rate as of the final loss payment date, if a variable rate loan, as documentation of the establishment of a Federal debt.**

The authorized agency official shall ensure that all co-borrowers and co-signers are entered in GLS.

## Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2250	FSA Purchase of a Guaranteed Loan Portion		375
FSA-2251	Lender's Guaranteed Loan Payment to USDA		376
FSA-2252	Farm Loan Programs Guaranteed Writedown Worksheet		328, Ex. 12
FSA-2253	Shared Appreciation Agreement for Guaranteed Loans		181, 288, 328, 341, Ex. 12
FSA-2254	Guaranteed Loan Report of Loss		136, 288, 328, 342, Part 14, 376, Ex. 12
FSA-2254A	Supplemental Loss Form		359, 360, 376
FSA-2261	Report on Collection Activities on Liquidated Accounts		266, 362, Ex. 12
FSA-2262	Notice of Liquidation Responsibility		362
FSA-2291	Lender's Processing Checklist		65, 95
FSA-2292	Guaranteed Loan Processing Checklist		65
FSA-2293	Annual File Review Checklist for SEL and CLP Lenders		267
FSA-2294	Debt Writedown Review Checklist		329
FSA-2295	Guaranteed Estimated Loss Review Checklist for SEL and CLP Lenders		342, 359
FSA-2296	Guaranteed Loan Final Loss Review Checklist		360
IRS-1099-C	Cancellation of Debt		362
IRS-8379	Injured Spouse Claim and Allocation		Ex. 17, 18
RD 1951-C-1	Notice of Intent to Collect by Administrative Offset		376
RD 1956-1	Application for Settlement of Indebtedness		363
RD-1980-64	Interest Assistance Agreement		224, 228, 230
UCC1	Financing Statement		364
W-2	Wage and Tax Statement		152

## Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

## Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

<b>Approved Abbreviation</b>	<b>Term</b>	<b>Reference</b>
“ACT”	Consolidated Farm and Rural Development Act	1, 108
ADPB	average daily principal balance	228, Ex. 10
CAFO	Concentrated Animal Feeding Operation	358, Ex. 15
CLP	Certified Lender Program	Text
CMS	Credit Management System	Text
DCIA	Debt Collection Improvement Act of 1996	363, Ex. 17, 18
ECOA	Equal Credit Opportunity Act	31, 210
EE	economic emergency loan	108, Ex. 2
EFT	Electronic Funds Transfer	228, 360
EL	emergency livestock loan	108
EM	emergency loans	108, 138, 244
EO	economic opportunity loan	108
FmHA	Farmer’s Home Administration (formerly by FSA)	108, Part 9, Part 11, 360
FLOO	Farm Loan Operations Office, St. Louis, Missouri	Text, Ex. 10
FO	farm ownership loan	Text, Ex. 2
FSC	Financial Services Center	Text, Ex. 10, 21
GLS	Guaranteed Loan System	Text, Ex. 10
IA	interest assistance	18, Parts 9, 11-15, Ex. 10
IAO	Internal Administrative Offset	363, Ex. 2, 17, 18
INA	Immigration and Nationality Act	Ex. 7