

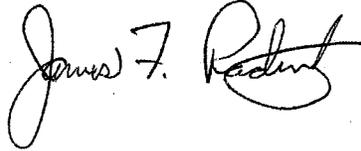
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

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

Amendment 35

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reason for Amendment

Subparagraph 342 B has been amended to add a note about submitting FSA-2249.

Subparagraph 344:

- A has been amended to provide FSA-2249 shall be submitted to adjust the loan to the new loan amount.
- B has been amended to remove reference to FSA-2249.

Subparagraph 358 B has been amended to include the correct regulatory language for the estimated loss claim portion of the liquidation plan.

Subparagraph 359 A has been amended to add bold highlights to additional words for emphasis.

Subparagraph 360 F has been amended to add bold highlights to CFR language.

Exhibit 15.5 has been amended for correction and clarification.

| Page Control Chart | | |
|---------------------------|--|-----------------|
| TC | Text | Exhibit |
| | 13-5, 13-6 13-9, 13-10 14-9, 14-10 14-13, 14-14 14-21, 14-22 | 15.5, pages 1-4 |

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 (bankruptcy type 05) 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 (bankruptcy type 05) upon confirmation of the reorganization plan in accordance with the following:** The initial estimated loss claim (bankruptcy type 05) 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. Supporting documentation must be supplied immediately following confirmation of the plan.

***--Note:** FSA will submit FSA-2249 to NFAOC, Farm and Community Services Branch, with any Type 05 loss claim to adjust to the new loan amount.--*

- During the bankruptcy, interest accrual coverage begins with the filing date and continues through the plan confirmation date and will be paid as part of the estimated (bankruptcy type 05) loss.
- For subsequent bankruptcy reorganization filings, FSA will cover interest accrual on the portion of the debt determined to have become unsecured because of the multiple filings, but only if the initial bankruptcy was filed within 150 calendar days of default or the lender submitted an estimated loss claim within 150 calendar days of default.
- **The estimated loss claim (bankruptcy type 05) 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 (bankruptcy type 05) payment may be revised as consistent with a court-approved reorganization plan.**

342 Lender's Claims for Expenses and Estimated Losses in Reorganization Bankruptcy Proceedings (7 CFR 762.148) (Continued)

- *--The estimated loss (bankruptcy type 05) 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. In these cases, FSA will pay the lender additional interest on that portion of debt that is determined to be unsecured on the bankruptcy (type 05) loss claim during and up to 45 calendar days after the court order for the chattel-secured portion of the debt and 90 calendar days for real estate.--*

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.**

344 FSA Responsibilities in Bankruptcy Proceedings

A Monitoring Responsibilities

The authorized agency official must review the default status report, submitted by the lender and request updates to the bankruptcy proceedings. They should periodically monitor the lender's files to ensure that all necessary actions are taken by the lender concerning a bankruptcy case. This review should include verifying that the lender:

- files proof of claim and all necessary papers and pleadings concerning the case
- attends and where necessary participates in meetings of the creditors and all court proceedings
- seeks adequate protection of the collateral
- advises the authorized agency official of the status of the bankruptcy action
- requests modification or dismissal of any plan of reorganization if it appears that additional recoveries are likely or if the borrower fails to comply with the requirements of the plan.

During a bankruptcy proceeding, the authorized agency official must:

- determine the necessity of an independent appraisal or evaluation according to 7 CFR 762.127 (paragraphs 181 and 182) of collateral
- review documentation supporting loss claims, including expense claims, submitted by the lender
- *--upon confirmation of the reorganization bankruptcy plan, submit FSA-2249 to NFAOC, Farm and Community Services Branch, to adjust the loan to the new loan amount.--*

B Post Bankruptcy Plan Completion Actions

When a Chapter 11, 12, or 13 confirmed bankruptcy plan has been completed, unsecured debt will be discharged. Subparagraph 342 E requires the lender to provide documentation on the actual loss sustained. If there has been an additional loss incurred, an adjusted bankruptcy type 05 loss claim will be processed. * * *

If the lender liquidates after a bankruptcy plan has been completed, but before the end of the term of the guarantee, the loss claim will be processed according to paragraphs 359 and 360 using the bankruptcy plan completion date as a beginning date for the new principal loan balance and the interest accrual for the loans.

If the loan pays in full, a loss claim is **not** required.

344 FSA Responsibilities in Bankruptcy Proceedings (Continued)**C Review of Bankruptcy Loss Claim**

The authorized agency official must:

- review FSA-2254 submitted by the lender, for accuracy, to ensure that FSA-2254 is coded correctly
- accept the loss claim or contact the lender to obtain revisions or additional information
- forward the claim to SED or its designee.

Note: The payment of any loss claim under a Chapter 7 or reorganization bankruptcy establishes a Federal debt. In the case of a Chapter 7, Regional OGC opinion is required to determine whether the borrower is or is not subject to offset. The payment of a claim under bankruptcy reorganization will not be subject to offset. See subparagraph 363 B for additional guidance.

All loss claims must be approved by SED. Following approval, SED shall forward approved loss claims to NFAOC, Farm and Community Services Branch.

345-354 (Reserved)

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 §761.2(b) of this chapter (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 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--***
- **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 all 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. Payment of interest beyond 150 calendar days up to 210 calendar days is to provide sufficient time for FSA and lenders to support the justified claim amount. This also applies to PLP lenders who request a complete review of their estimated loss claim. Lender delays in providing FSA requested information will result in interest accrual reduction for each day that extends beyond 10 calendar days from the date of FSA's request, if the claim processing extends the lender's interest accrual beyond 150 calendar days of the payment due date. Interest accrual reduction delays will never take the accrued interest back before 150 calendar days. If a claim is **not** provided within *--150 calendar days, then interest accrual **can never exceed 150 calendar** days after the *-- payment due date. See Exhibit 15.5 for examples.

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.** See subparagraph 329 C for loss claims on previously restructured loans.
- **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.**
- Lenders will provide their loan daily interest accrual with their estimated loss claim.
- FSA will pay interest to the claim approval (settlement) date. The lender may claim interest to the date they received the estimated loss claim payment on the final loss claim.

Note: For Chapter 7 bankruptcy liquidation cases, interest accrual is processed like any estimated loss claim. The date of filing has no impact on the interest accrual determination.

*--Interest may be paid beyond the 210 calendar days maximum allowed by this paragraph **only** if **all** of the following have occurred:--*

- the lender has provided a claim no later than 150 calendar days of the payment due date
- the lender has provided all information required by FSA for processing

359 Lender Submission of Estimated Loss Claim (7 CFR 762.149) (Continued)**A Overview (Continued)**

- *--the FSA review and approval has extended beyond 30 calendar days from receipt of the final requested information
- the claim processing extends the lender's interest accrual beyond 210 calendar days from the payment due date. See Exhibit 15.5 for examples.

Notes: For Chapter 11, 12, and 13 bankruptcies, if the bankruptcy is dismissed before liquidation, interest accrual may exceed 210 calendar days from the payment due date. During the bankruptcy, interest continues to accrue, but the days for calculating interest termination do not count against the lender, including cases where the lender did not have an estimated loss claim, because the lender does not have the authority to liquidate. In these cases, the authorized agency official shall document that interest accrual exceeded 210 calendar days because of bankruptcy, and any other supporting documentation, in GLS. National Office approval does not need to be requested. See Exhibit 15.5 for examples.

For cases involving borrower-initiated litigation, interest accrual may exceed 210 calendar days from the payment due date. During the litigation, interest continues to accrue, but the days for calculating interest accrual termination will not count against the lender, including cases where the lender did not have an estimated loss claim, if the lender is unable to liquidate. In these cases, the authorized agency official shall document that interest accrual exceeded 210 calendar days because of litigation. See Exhibit 15.5 for examples.--*

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.

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 1 or more financial institutions to which any FSA payments will be made by EFT.

***--In the case of a Chapter 7 bankruptcy, in cases 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 as part of a final claim will be the same as the estimated claim, except that it may include interest that accrued between the estimated loss claim settlement date and the date the lender received payment for all final claims in which an estimated claim was previously submitted. In addition, the final claim may include accruing interest in some Chapter 7 bankruptcy cases where State redemption rights have delayed disposal of the property and in Chapter 12 and 13 bankruptcies that had previously been confirmed but are now being liquidated before the completion of the bankruptcy plan. If an estimated loss of zero was provided, 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.

If an estimated claim was not submitted, interest accrual will not be paid beyond 150 calendar days from the payment due date. * * *

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 being paid to the lender for the number of days over 40 taken to process the claim.

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 disbursement.

Notes: For Chapter 11, 12, and 13 bankruptcies, if the bankruptcy is dismissed before liquidation, interest accrual may exceed 210 calendar days from the payment due date. During the bankruptcy, interest continues to accrue, but the days for calculating interest termination do not count against the lender, including cases where the lender did not have an estimated loss claim, because the lender does not have the authority to liquidate. In these cases, the authorized agency official shall document that interest accrual exceeded 210 calendar days because of bankruptcy, and any other supporting documentation, in GLS. National Office approval does not need to be requested.

For cases involving borrower-initiated litigation, interest accrual may exceed 210 calendar days from the payment due date. During the litigation, interest continues to accrue, but the days for calculating interest accrual termination will not count against the lender, including cases where the lender did not have an estimated loss claim, if the lender is unable to liquidate. In these cases, the authorized agency official shall document that interest accrual exceeded 210 calendar days because of litigation. See Exhibit 15.5 for examples.--*

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.

Loss Claims

A Estimated Loss Claim Interest Accrual Examples

Lender submits estimated loss claim on day 90. FSA approves on day 140 after 20 calendar days of lender delay in providing FSA requested information. Lender receives 140 calendar days of interest. (Pay all within 150 calendar days.)

Lender submits estimated loss claim on day 140. FSA approves on day 190 after 30 calendar days of lender delay in providing FSA requested information. Lender receives 170 calendar days of interest accrual. ($190 - 20$ for lender delay = 170.)

Lender submits estimated loss claim with complete information on day 155. FSA approves on day 200. Lender receives 150 calendar days of interest accrual. (Claim submitted after 150 calendar days.)

Lender submits estimated loss claim on day 150. FSA approves on day 220, 40 calendar days after lender provides FSA requested complete and timely information. Lender receives 220 calendar days of interest accrual. (Lender gets 210 max interest + 10 for FSA delay over 30 = 220.)

Lender submits estimated loss claim on day 130. FSA timely approves on day 230 after 50 calendar days of lender delay in providing FSA requested information. Lender receives 170 calendar days of interest accrual. (Lender gets 210 max interest - 40 for lender delay = 170.)

Lender submits estimated loss claim on day 140. FSA approves on day 260, 50 calendar days after lender provides FSA requested complete information, but only after 40 calendar days of *--lender delay. Lender receives 200 calendar days of interest accrual. (Lender gets 210 max interest - 30 for lender delay = 180 max + 20 for FSA delay = 200.)

Lender submits estimated loss claim on day 130. FSA approves on day 320, 110 calendar days after lender provides FSA requested complete information, but only after 70 calendar days of lender delay. Lender receives 200 calendar days of interest accrual. (Lender gets 210 max--* interest - 60 for lender delay = 150 max + 80 for FSA delay = 230.)

***--Loss Claims (Continued)**

B Estimated Loss Claim Interest Accrual When Reorganization Bankruptcy Is Filed and Dismissed Examples

Lender submits estimated loss claim on day 110. FSA receives and reviews complete information on day 170 after a 50-calendar-day delay. Borrower files bankruptcy on day 190. Bankruptcy is dismissed on day 300. FSA approves lender-estimated loss claim on day 310. Lender receives 270 calendar days of interest accrual. (Lender gets 160 calendar days {170 + 20 + 10 for FSA processing outside of bankruptcy – 40 calendar days for lender delay} + 110 calendar days for bankruptcy deliberations = 270.)

Lender submits estimated loss claim on day 150. FSA receives and reviews complete lender information on day 240 after 60-calendar-day lender delay. Borrower files bankruptcy on day 250. Bankruptcy is dismissed on day 330. FSA approves estimated loss claim on day 360. Lender receives 250 calendar days of interest accrual. (Lender gets 210 max interest – 50 for lender delay = 160 + 80 for bankruptcy deliberations + 10 for FSA delay = 250.)

Lender begins liquidation and does not submit estimated loss claim. Borrower files bankruptcy on day 120. Bankruptcy is dismissed on day 200. Lender submits estimated loss claim with complete information on day 220. FSA approves loss claim on day 230. Lender receives 230 calendar days of interest accrual. (Lender gets 150 calendar days {120 + 20 + 10} + 80 for bankruptcy deliberations.)

Lender submits estimated loss claim with complete information on day 152. Borrower files bankruptcy on day 160. Bankruptcy plan is dismissed on day 250. FSA approves loss claim on day 300. Lender receives 240 calendar days of interest accrual. (Late loss claim limited to 150 calendar days of interest accrual + 90 calendar days for bankruptcy deliberations = 240.)

C Estimated Loss Claim With Borrower-Initiated Litigation Example

Lender files estimated loss claim on day 110. On day 160, after 30-calendar-day delay, lender provides complete information to FSA. Borrower files suit on day 170. Suit is dismissed on day 270. FSA approves estimated claim on day 290. Lender receives 270 calendar days of interest accrual. (Lender gets 170 {160 + 10 + 20 – 20 for lender delay} + 100 calendar days for litigation deliberations.)

D Estimated Loss Claim Post Reorganization Bankruptcy Plan Completion

Handled the same as any other liquidation.

Note: Principle and interest begins with balances at bankruptcy plan completion date.--*

Loss Claims (Continued)

E Final Loss Claim Interest Accrual Examples

Lender submits final loss claim with interest accruing through 155 calendar days. Estimated loss claim was approved by FSA on day 150 and lender was paid for 150 calendar days of interest accrual on day 155. Lender may receive 5 additional calendar days of interest accrual on the *--final loss claim based upon the daily interest accrual rate submitted with the estimated loss claim.

Lender submits final loss claim with interest accruing through 140 calendar days, after having an estimated loss timely submitted and timely approved by FSA. FSA approves estimated loss claim on day 140 and lender was paid on day 143. FSA approves the final loss claim 60 calendar days after receiving complete lender information on the final loss claim. Lender receives 20 calendar days of additional interest for FSA delay. Lender also may receive 3 additional days of interest accrual on the final loss claim, if they claim it and those 3 interest days will be based upon the daily interest accrual rate submitted with the estimated loss claim.--*

F Final Loss Claim Interest Accrual When Reorganization Bankruptcy Is Filed and Dismissed (Estimated Loss Previously Paid)

The claim should include the entire debt and interest accrual to date of the claim. Subtract out the previous estimated loss payment plus the interest that accrued between the first estimated payment and the bankruptcy filing, and subtract interest accrual between the bankruptcy dismissal date and the final loss claim date.

Example: Lender files estimated loss claim on day 100. Information is complete. FSA approves estimated loss claim on day 125. Lender receives payment on day 128. Borrower files chapter 12 bankruptcy on day 130. Bankruptcy is dismissed on day 310. Lender submits final loss claim on day 400. FSA approves final loss claim on day 440. Lender receives 308 calendar days of interest accrual. (Lender gets 128 {100 + 28} + 180 for bankruptcy deliberations.) FSA approves final within 40 calendar days. Any days over 40 for FSA would have been required to pay additional interest payment for those days. Final loss calculation will subtract out estimated loss payment accounting for 125 calendar days of interest the lender has *--already been paid on the principal portion of the loss.

Note: For a Type 5 Bankruptcy Loss (or a Type 1 Estimated Loss that was converted to a Type 5 Bankruptcy Loss) paid as a result of any plan confirmation that was later dismissed because of plan failure, subtract the interest accrual on the principal portion of the Type 5 loss payment from plan confirmation date to plan dismissal date.--*

Loss Claims (Continued)

G Final Loss Claim Interest Accrual With Borrower-Initiated Litigation (Estimated Loss Previously Paid)

*--The claim should include the entire debt and interest accrued to date of the claim. Subtract out the previous estimated loss payment plus the interest that accrued between the first estimated payment and the litigation filing date, and subtract interest accrued from the order ending litigation and the final loss claim date.

Example: Lender files estimated loss claim on day 130. Information is complete. FSA approves loss claim on day 160. Lender receives payment on day 170. Borrower files lawsuit that prohibits lender from liquidating on day 200. Lawsuit is--* dismissed on day 300. Lender completes liquidation and submits final loss claim on day 350. FSA approves final loss claim on day 400. Lender receives 280 calendar days of interest accrual. (Lender gets $170 \{130 + 40\} + 100$ for litigation deliberations + 10 calendar days for FSA processing over 40 calendar days). Final loss calculation will subtract out estimated loss payment accounting for 160 calendar days of interest the lender has already been paid.

H Final Loss Claim Post Reorganization Bankruptcy Plan Completion

Handled the same as any other liquidation.

Note: Principle and interest begins with balances at bankruptcy plan completion date.