

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

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

Amendment 65

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraphs 363 D and F have been amended to remove references to Exhibits 18 and 20.

Subparagraph 363 G has been amended to remove reference to Exhibit 18.

Subparagraph 363 K has been amended to reference 7-FLP, subparagraph 404 D, and remove references to 7-FLP, subparagraphs 404 B and C.

Subparagraph 363 L has been amended to reflect FSA-2731 should be sent to RD Business Center, Guaranteed Commercial Branch, according to 1-FLP, paragraph 5.

Exhibit 18 has been withdrawn because the letter is obsolete.

Exhibit 20 has been withdrawn because the letter is obsolete.

Page Control Chart		
TC	Text	Exhibit
7, 8	14-29 through 14-34	1, pages 3, 4 18, pages 1-6 (remove) 20, pages 1, 2 (remove)

Table of Contents (Continued)

Page No.

Part 14 Liquidation

355	Liquidation Process (7 CFR 762.149)	14-1
356	Mediation (7 CFR 762.149(a))	14-5
357	Foreclosure and Acceleration (7 CFR 762.149)	14-6
358	Lender Liquidation Plan (7 CFR 762.149(b)).....	14-9
359	Lender Submission of Estimated Loss Claim (7 CFR 762.149).....	14-13
360	Lender Submission of Final Loss Claim (7 CFR 762.149)	14-17
361	Release of Liability After Liquidation (7 CFR 762.146(c))	14-24
362	Miscellaneous Liquidation Items (7 CFR 762.149).....	14-26
363	Collecting Final Loss Claim Payments From Guaranteed Loan Debtors (7 CFR 762.149(m)).....	14-28
364	Release From Liability and Unauthorized Assistance	14-35
365-372	(Reserved)	

Part 15 Secondary Market

373	Overview of the Secondary Market for FSA Guaranteed Loans.....	15-1
374	Agency Requirements (7 CFR 762.160).....	15-4
375	Repurchase of Guaranteed Portion From a Secondary Market Holder (7 CFR 762.144)	15-9
376	Actions After Agency Repurchase (7 CFR 762.144)	15-14

Exhibits

1	Reports, Forms, Abbreviations, and Redelegations of Authority	
2	Definitions of Terms Used in This Handbook (7 CFR 761.2(b))	
3	(Reserved)	
4	State Supplements	
4.5	Lenders Loan Narrative	
5	Electronic Access for FSA Lenders	
6	(Withdrawn--Amend. 41)	
7	Interim Guidance: Documentary Evidence of Status as a Qualified Alien	
8	Interim Guidance: Documentary Evidence of Status as a U.S. Non-Citizen National	
9	Embedded Entity Examples	
10	Calculations and Formulas	
11	Using an Allonge for a Loan Already Closed by the Lender When Guarantee Funds Were Not Available	
12	Lender Documentation and Reporting Requirements	
13	Interagency Agreement	
14	FSA Appraisal Guidelines	
14.1	FSA Appraisal Guidelines for Poultry	
14.2	FSA Appraisal Guidelines for Dairy	
14.3	FSA Appraisal Guidelines for Hog	

Table of Contents (Continued)

Exhibits (Continued)

- 15 Appraisals for the Liquidation of Poultry and Other CAFO's
- 15.4 Lender and FSA Reporting to Credit Reporting Bureaus
- 15.5 Loss Claims
- 16 Comparison Guide for Loss Claim Decisions and Appeals
- 17 Demand for Payment, Notice of Intent to Collect by Non-Centralized Administrative Offset, Including Internal Administrative Offset, Centralized Offset, and Other Applicable Debt Collection Methods
- 18 (Withdrawn--Amend. 65)
- 19 Notice to a Non-Debtor Entity of Intent to Collect by Non-Centralized Administrative Offset, Including Internal Administrative Offset From an Entity Member
- 20 (Withdrawn--Amend. 65)
- 21 Notice of Referral to the Department of Treasury to Collect Through the Treasury Offset Program (TOP) - Sent by the RD Business Center Only

**363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors
(7 CFR 762.149(m)) (Continued)**

B Guaranteed Final Loss Claim Payments Not Subject to Offset

Final loss claim payments for borrowers who executed FSA-1980-25 with a revision date of July 27, 1999, or earlier, or FSA-1980-28 with a revision date of April 7, 1999, or earlier, shall not be offset.

Loans approved using FSA-1980-25 or FSA-1980-28 with the July 20, 2001, or later revision date and Application for Guarantee or Preferred Lender Application that are discharged in bankruptcy, will establish a Federal debt, but generally are not subject to offset. Any case where a final loss claim was paid after a Chapter 7 discharge should be processed as follows:

- all pertinent information, such as loss claim and documentation on the bankruptcy including the discharge order, is to be provided to the Regional OGC, requesting their opinion as to whether or not offset can be pursued
- document the case file with OGC's recommendation:
 - if Regional OGC's opinion is that the loan is not subject to offset, the debtor shall be removed from referral to IAO and TOP through the GLS maintenance screens and debts discharged in bankruptcy will be written off upon receipt of the discharge order; SED shall FAX or mail a copy of the discharge order along with a memorandum *--requesting that the debt be written off to the RD Business Center, Guaranteed Commercial Branch--*
 - if Regional OGC's opinion is that the loan is subject to offset, then immediately follow the requirements of subparagraphs 363 D through G.

Notes: Any debt reaffirmed under Chapter 7 bankruptcy on which a final loss claim is later paid, is considered a Federal debt and shall be subject to offset.

In a reorganization bankruptcy, if the confirmed plan is not successfully completed and the bankruptcy is dismissed, the payment of a final loss claim will be considered a Federal debt and shall be subject to offset.

C Payments Not Subject to Offset

The following payments are not subject to offset:

- Federal crop insurance indemnity payments
- the initial payment for planting expenses under certain conservation programs
- program payments ineligible for offset.

Payments will not be offset when the authorized agency official determines that it is not in the best interest of the Government.

363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors (7 CFR 762.149(m)) (Continued)

D Debtor Notification of FSA’s Intent to Offset

Immediately upon confirmation of a final loss claim payment, the authorized agency official will provide the debtor and any co-debtors notification of intent to offset using Exhibit 17, according to this subparagraph and 7 CFR Part 3.

Exhibit 17 must be sent to debtors by certified mail. If Exhibit 17 is returned, the authorized agency official will use first class mail or personal delivery.

The date Exhibit 17 was received by the debtor and/or co-debtor will be entered in the “Notified Date” field using the GLS Debt Offset Maintenance Screen for:

- tracking
- referral of debt for offset.

Note: GLS will be updated for the debtor and/or co-debtor with the date of the electronic verification or return receipt of the debtor notification of FSA’s intent to offset that is sent by certified mail to a debtor’s last known address. This date will be entered in the “Demand Letter” field using the GLS Debt Offset Maintenance Screen. A copy of the electronic verification will be placed in the case file.

The authorized agency official will provide written notification to debtors a minimum of:

- 30 calendar days before affecting non-centralized administrative offset and IAO
- 60 calendar days before affecting TOP.

The debtor’s pro rata share of entity payments will be offset according to 7 CFR Part 3 and 7-FLP, paragraph 62 B, after the non-debtor entity members have been notified using Exhibit 19 ***.

**363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors
(7 CFR 762.149(m)) (Continued)**

D Debtor Notification of FSA’s Intent to Offset (Continued)

--Authorized agency officials will follow 7-FLP, paragraph 63 B, to handle debtor requests received as a result of the receipt of Exhibits 17 and 19.--

Debtors proposing an agreement to repay the debt as an alternative to offset must include the full amount of the Federal debt. The Federal debt must be paid within a short period of time.

E Salary Offset

--The authorized agency official will determine whether collection by salary offset is feasible-- according to 7 CFR Part 3 and 7-FLP, Part 5.

F Referral of Debt for IAO Offset

--The authorized agency official will refer debtors for IAO and non-centralized administrative offset 30 calendar days after sending Exhibit 17 or 19, and/or after the conclusion of a review or appeal.--

* * *

The authorized agency official must complete the debtor’s and/or co-debtor’s IAO referral information, in GLS on the Debt Offset Maintenance Screen, for the debt to be referred for offset.

*--**Note:** Debtors who are ineligible for IAO or who later become ineligible for IAO will be--* removed from referral in GLS on the Debt Offset Maintenance Screen.

363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors (7 CFR 762.149(m)) (Continued)

G Referral of Debt to TOP

--The authorized agency official will refer debtors to TOP 60 calendar days after:--

- Exhibit 17 * * * was sent
- the conclusion of a review or appeal.

The authorized agency official must complete the debtor's TOP referral information, in GLS on the Debt Offset Maintenance Screen, for the debt to be referred for offset. After the information is entered, debtors will be programmatically referred according to the established Treasury quarterly referral schedule.

After the debt is referred for TOP, the RD Business Center, Guaranteed Commercial Branch will send Exhibit 21. The date of Exhibit 21 will be shown on the debtor's GLS maintenance screen.

*--**Note:** Debtors who are ineligible for TOP or who later become ineligible for TOP will--* be removed from referral in GLS on the Debt Offset Maintenance Screen.

H State Office Responsibility

--SED will ensure that FSA employees responsible for servicing FLP guaranteed loans notify-- all County Offices where the debtor receives Federal payments that these payments are to be offset.

--DD will ensure that all County Offices are updated monthly on debtors whose payments are-- eligible to be offset.

Note: Management reports for debts currently referred for IAO and TOP are available in GLS.

IAO and TOP collections taken by FSA will be discontinued when a guaranteed borrower and/or co-borrower are called to report for induction or military service. Co-borrowers associated with the debt must also be suspended from offset collections in GLS in an effort to reduce hardship on the family. Offsets should not be taken during the period of active duty and 3 months thereafter. Any collections received as a result of offset, **after** the date the *--borrower and/or co-borrower were called to active duty, will be refunded. State Offices will--* make refund request to the RD Business Center, Guaranteed Commercial Branch.

--Offsets will be suspended by State Offices by accessing the GLS Debt Offsets Maintenance-- Screen and:

- selecting the Reason Deleting as "Other"
- inputting the Why Agency Deleting as "National Defense Act"
- inputting the delete date.

Note: This information should be entered for both IAO and TOP.

**363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors
(7 CFR 762.149(m)) (Continued)**

I Collections and Refunds

Amounts collected through administrative offset will be applied to the debtor’s account according to 64-FI using the Guaranteed Collection Codes in this table.

Code	Description
70	Administrative Offset – Other
71	Administrative Offset – DCP
72	Administrative Offset – LCP
73	Administrative Offset – CRP
74	Administrative Offset – EQIP
75	Administrative Offset – Tobacco
76	Administrative Offset – Peanuts
77	Administrative Offset – Rice
78	Administrative Offset – LDP/Markt Asst Loan
79	Administrative Offset – DCP in Stay
80	Voluntary Collection
81	DOJ Collection
82	Debt Settlement Collection
83	Other Collection

Notes: Collections will be applied to the oldest delinquent Federal debt first.

According to 58-FI, paragraph 164, delinquent debts due to FSA will be collected before an assignment is honored.

Lender recoveries, voluntary, and other collections, except IAO, DOJ, and Debt Settlements, for loans subject to offset with a debt offset receivable established, must have FSA-2254 *--completed manually and FAXed to the RD Business Center, Guaranteed Commercial Branch for processing. The collection will be processed as an offset collection.

Refunds of amounts offset will be made within 45 calendar days if FSA determines that an amount should not have been offset or that the debtor has prevailed in an appeal. SED shall approve and submit refund requests to the RD Business Center, Guaranteed Commercial Branch.--*

J Notifying Lender of FSA Collections

County Offices shall notify the lender of any collections received through IAO or TOP by November 30 of each year. The annual notification shall include the following:

- amount collected by loan number
- current balance of the Federal debt.

Note: County Offices can obtain account information from the GLS loan offset view screen.

**363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors
(7 CFR 762.149(m)) (Continued)**

K Debt Settlement

Once a final loss claim is paid, FSA will be able to consider settlement offers received directly from the debtor. Compromise and adjustment offers should be compared against other collection options available, such as IAO and TOP. The option that offers the greatest recovery to the Government should be pursued.

*--FSA will process a compromise or adjustment offer according to 7-FLP, Part 12.

The debt settlement will only cover the Federal debt owed by the debtor. FSA will notify--* the lender of the approval of a debt settlement.

After all payments under the compromise or adjustment offer have been received, the *--remaining balance of the debt will be written off. SED will send a copy of FSA-2732 along with a memorandum requesting that the debt be written off to the RD Business Center, Guaranteed Commercial Branch, according to 1-FLP, paragraph 5--*.

Where it has been a minimum of 6 years since the last collection, FSA will cancel the debt without application according to 7-FLP, paragraph 404, as appropriate. For guaranteed loans the lender is the cross servicer. After 6 years with no collections, FSA's documentation that the lender anticipates no future collection satisfies the return from *--cross-servicing requirement of subparagraph 404 D. Where it has been 6 years since the--* debt was established and collections are less than accruing interest, FSA will cancel the debt *--without application, following the guidance in 7-FLP, subparagraph 404 D, upon documentation that the lender and FSA anticipate no increase in collections. The SED will send a copy of FSA-2731 and FSA-2731A, if appropriate, along with a memorandum requesting that the debt be written off to the RD Business Center, Guaranteed Commercial Branch, according to 1-FLP, paragraph 5.--*

L Bankruptcy Effect

FSA, subject to advice provided by the Regional OGC, will immediately file a proof of claim upon notification of a bankruptcy filing for any debtor subject to offset. At a minimum, the *--following will be filed with the proof of claim as evidence of the debt:--*

- FSA-2211, FSA-2212, Application for Guarantee, or Preferred Lender Application
- FSA-2235 or Loan Guarantee
- copy of promissory note
- documentation of FSA's final loss claim payment to the lender.

--Bankruptcy filing will halt any FSA offsetting actions. The debtor will be removed from-- referral of IAO and TOP through the GLS maintenance screens.

Debts discharged in bankruptcy will be written off upon receipt of the discharge order. SED *--will send a copy of FSA-2731 and the discharge order along with a memorandum requesting that the debt be written off to the RD Business Center, Guaranteed Commercial Branch, according to 1-FLP, paragraph 5. GLS will have been updated earlier upon FSA notification--* of the bankruptcy action.

Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

Forms (Continued)

Number	Title	Display Reference	Reference
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
FSA-2701	Notice of Intent to Collect by Administrative Offset		376
FSA-2731	Cancellation of Debt Without Application (RD-1956-1)		363
FSA-2731A	Cancellation of Debt Without Application (Continuation)		363
FSA-2732	Debt Settlement Application (RD-1956-1 Application For Settlement of Indebtedness)		363
IRS-1099-C	Cancellation of Debt		362
IRS-8379	Injured Spouse Claim and Allocation		Ex. 17
NRCS CPA-1155	Conservation Plan or Schedule of Operations		66
RD-1980-64	Interest Assistance Agreement		224, 228, 230
UCC1	Financing Statement		364
W-2	Wage and Tax Statement		152

Note: Agency officials may use digital signatures on all Guaranteed Loan Program forms. Lenders and loan applicants may use digital or other electronic signatures on all Guaranteed Loan Program forms.

Some secondary market holders may not accept digital signatures on FSA-2235 and FSA-2242. Lenders should verify with their secondary market holders and notify FSA if digital signatures will **not** be accepted.

Authorized agency officials shall reference the User Guide for Digital Signatures on FLP's Presentation intranet web site for instructions to create a digital signature with their employee LINCPASS.

Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
AASM	Application Authorization Security Management	73, Ex. 5
ACT	Consolidated Farm and Rural Development Act	1, 108, 286
ADPB	average daily principal balance	228, Ex. 10
CAFO	Concentrated Animal Feeding Operation	181, 358, Ex. 15
CL	conservation loan	Text, Ex. 2
CMS	Credit Management System	Text
DNP	Do Not Pay	46, 108
EL	emergency livestock loan	108
EO	economic opportunity loan	108
FmHA	Farmers Home Administration	108, Part 9, Part 11, 360
FTP	file transfer protocol	Ex. 15.4
GFO	guaranteed farm ownership loan	135
GLOC	guaranteed line of credit	108
GLS	guaranteed loan system	248, Ex. 15.4
GOL	guaranteed operation loan	135
IA	interest assistance	18, Parts 9, 11-15, Ex. 10
IAO	Internal Administrative Offset	363, Ex. 2, 17
INA	Immigration and Nationality Act	Ex. 7
LINC	Lender Interactive Network Connection	73, 266, Ex. 5
LOC	line of credit	Text
MLP	Micro Lender Program	Text
NPO	nonprofit organization	111
PLP	Preferred Lender Program	Text, Ex. 12
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996	Ex. 7
SAA	Shared Appreciation Agreement	286, 288, Ex. 2
SAM	System for Award Management	108
SDMS	State Directive Management System	84
SEL	Standard Eligible Lender	Text, Ex. 12
SOFR	Secured Overnight Financing Rate	135
USCIS	U.S. Citizenship and Immigration Services	Ex. 7, 8

Delegations of Authority

This table lists the delegations of authority in this handbook.

Delegation	Reference
Administering handbook provisions	20