Amendment Transmittal

A Reasons for Amendment

Subparagraph 4 B has been amended to update requirements for Administrator’s exception requests.

Subparagraphs 61 E, 62 A, 64 B, 64 C, 67 A, 97 B, 146 C, 282 A, 282 K, 282 L, 283 A, 283 B, and Exhibits 51, 52, and 53 have been amended to change references from FaSB to FLB.

Subparagraph 62 B has been amended to update instructions to use FSA-2061 for a partial release application.

Subparagraph 65 F has been amended to provide additional guidance for release of security instruments.

Subparagraph 116 A has been amended to:

- remove references to FSA-2001
- specify that FSA-2062 is required for subordinations
- clarify when FSA-2038 is needed.

Subparagraphs 126 A, 136 C, 146 A, 196 A, 199 A, and 247 A have been amended to remove requirement for FSA-2001 and add requirement of FSA-2061.

Exhibit 1 has been amended to remove reference to FSA-2001 and add FSA-2002, FSA-2003, FSA-2061, and FSA-2062.

Exhibit 4 has been amended to remove State supplement requirements.
A Reasons for Amendment (Continued)

Exhibit 20 has been amended to include references to FSA-2002, FSA-2003, FSA-2037, and FSA-2038.

Note: LS-45 of the COVID Field Guidance will continue to be used until rescinded.

Exhibit 25 has been amended to update subparagraph references.

Exhibits 51, 52, and 53 have been amended to update County Office instructions.

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FSA Exception Authority

A General

[7 CFR 765.501] On an individual case basis, the Agency may consider granting an exception to any regulatory (or 4-FLP handbook) requirement or policy of this part if:

(i) The exception is not inconsistent with the authorizing statute or other applicable law; and

(ii) The Agency’s financial interest would be adversely affected by acting in accordance with published regulations or policies and granting the exception would resolve or eliminate the adverse effect upon the Agency’s financial interest.

A decision as to whether an exception request will be submitted will be at FSA’s discretion and is not appealable.

A request for an exception to program regulations should not be pursued under normal servicing conditions. FSA considers requests submitted under extraordinary circumstances only.

B Submitting Exception Requests

SED must submit an exception request to DAFLP by e-mail to SM.FSA.DCWa2.AdmException or adminexception@wdc.usda.gov. The e-mail subject should read “Administrator’s Exception to (cite 4-FLP subparagraph) – (Borrower’s Name *--and State).” STO FLP staff must be involved in the development of the Exception Request. An attachment must fully describe the status of the account, including:

• a brief background on the case

• total outstanding FSA indebtedness; loan types and amounts

• current status of the account; if it is delinquent, where it is in Primary Loan Servicing

• type of security (chattel or real estate) and estimated value

• prior liens

• proposed plan of action that warrants the exception request
B Submitting Exception Requests (Continued)

- what procedure is to be waived

- the adverse effect to FSA resulting from compliance with the regulation and how it would be eliminated or minimized through the exception

- discussion of graduation

**--how the action is in the best financial interest of the Government

- additional information that SED thinks will be needed to review the case

- a Farm Business Plan credit action pertaining to the requested exception, including but not limited to:
  
  - updated farm assessment
  
  - appropriate environmental review, if needed
  
  - credit presentation demonstrating all other feasibility, eligibility, and security requirements are met for the request.--*
General (Continued)

E Canceling Undisbursed Loan Funds

After a loan has been closed, the authorized agency official will complete FSA-2425 to cancel the obligation of funds that will not be used by the borrower. No interest accrues, since the funds were obligated, but not advanced.

FSA-2072 must also be prepared and submitted with a copy of FSA-2425 to the RD Business Center, FLB. See 1-FLP, subparagraph 5 B.--*

The original FSA-2425 with the borrower’s signature will be stapled to the original promissory note in the locked, fire-resistant file cabinet. A copy of FSA-2425 will be placed in the borrower’s file in position 2 with the note and an ADPS Unclosed (UN) Screen.--*screen-print, after completion of the deobligation by the RD Business Center, FLB.--*

If it is clear that the unused funds will not be used, but the borrowers will not sign FSA-2425, SED’s are authorized to approve cancellation of undisbursed loan funds after all PLS options have been exhausted or the debt is paid in full. This authority may not be redelegated. If PLS has not been exhausted, States Offices shall contact LSPMD for directions.

*--The RD Business Center, FLB record of the loan will indicate the loan amount was--* reduced after deobligation. Keeping FSA-2425 with the promissory note (both original and copy) is the paper trail evidence that the loan amount was reduced after closing and the borrower consented.

DLS will be updated as required.
Regular Payments

A Applying Regular Payments

[7 CFR 765.153(a)] A regular payment is credited to a scheduled installment on program and non-program loans. Regular payments are applied to loans in the following order:

(1) Annual operating loan;

(2) Delinquent FLP installments, paying least secured loans first;

(3) Non-delinquent FLP installments due in the current production cycle in order of security priority, paying least secured loans first;

(4) Any future installments due.

*--Regular payments received will be credited by the RD Business Center, FLB to loans in the order provided in subparagraph 64 A, beginning first with administrative costs and protective advances plus interest. Administrative costs and protective advances will only add on to FO’s, SW’s, and CL’s. For other loan types, a new loan account is established. The loan number for these loans is generally between 75 and 99. Any protective advance or administrative cost charged back to a borrower’s account is immediately due and payable.

B Regular Payments From Real Estate Sale Security With SED Approval

[7 CFR 765.152(c)] Notwithstanding any other provision of this section, payments derived from the sale of real estate security will be treated as regular payments at the Agency’s discretion, if the FLP loans will be adequately secured after the transaction.

When FSA becomes aware that the borrower is selling all or a portion of the real estate security, FSA-2061 for a partial sale should be requested from the borrower. When FSA receives the payment from the sale of real estate security, the authorized agency official must consult FSA-2061 to determine the loan to which the payment should be applied, generally in the order of lien priority.

Note: If the borrower requests that payments resulting from the sale or exchange of real estate security be applied to current, delinquent, or unmatured loan installments; the borrower, with the assistance of the authorized agency official, must complete and submit FSA-2061. Only SED’s may approve this application of funds. The authorized agency official will forward the completed FSA-2061 and any other materials required to SED for review. The authorized agency official will inform the borrower of the decision and provide appeal rights according to 1-APP, if FSA-2061 is not approved. --*
63 Extra Payments

A Applying Extra Payments

[7 CFR 765.153(b)] An extra payment is not credited to a scheduled installment and does not relieve the borrower’s responsibility to make scheduled loan installments, but will reduce the borrower’s FLP indebtedness. Extra payments are applied to FLP loans in order of lien priority except for refunds of unused loan funds, which shall be applied to the loan for which the funds were advanced.

64 Distributing Payments to Loans

A Order

[7 CFR 765.154] The Agency applies both regular and extra payments to each loan in the following order, as applicable:

- (a) Recoverable costs and protective advances plus interest;
- (b) Deferred non-capitalized interest;
- (c) Accrued deferred interest;

  Note: Accrued noncapitalized interest will be credited after accrued deferred interest.
- (d) Interest accrued to date of payment; and
- (e) Loan principal.

B Distribution

Distribute payments according to the following.

<table>
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<th>IF the loan...</th>
<th>THEN...</th>
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<tr>
<td>number is identified correctly on the payment information</td>
<td><em>--the RD Business Center, FLB will automatically--</em> distribute the payment to borrower debt according to subparagraph A.</td>
</tr>
<tr>
<td>costs are separate from their parent loan (usually identified by loan numbers between 75 and 99)</td>
<td>the payment needs to be specifically identified to be applied to those loan cost accounts and then to the original loan.</td>
</tr>
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</table>
C Notification of Account Activity and Status

*--The RD Business Center, FLB will normally send the borrower and the local FSA office--*
the following:

- “Reminder of Payments To Be Made” 60 calendar days before the installment due date, which shows the borrower the installments due on each loan

*--Notes: State Offices that have elected to discontinue the RD Business Center, FLB--*
notification will send a payment reminder letter similar to Exhibit 25.4 to the borrower. A report is under development to assist in accessing the needed data.

The “Reminder of Payments To Be Made” or payment reminder letter sent by the State Office will always provide the VRU telephone number (1-888-518-4983). VRU is a secure, automated system that requires a PIN number, and guides borrowers in obtaining the status of their loans at any time. If further loan information is needed, such as a payoff amount, borrowers are directed to call the FSA office.

The borrower has the ability to change their PIN using the following instructions:

- borrower calls toll free number
- after being asked for their ID, the system checks to see if a PIN is present
- if so, the borrower will be asked to enter the PIN
- if they enter the incorrect PIN they will be given the option to PRESS “1” to re-enter it, or PRESS “2” to change it
- after pressing 2, they will be walked through the process of changing their PIN.

- FSA-2065 annually, which shows the loan status, all transactions completed during the calendar year, and VRU telephone number.

Note: See Exhibit 25.5 for an explanation of IRS forms sent to borrowers annually.
Final Payments (Continued)

E Borrower Refunds

[7 CFR Part 765.155(b)] If the borrower refunds the entire loan after the loan is closed, the borrower must pay interest from the date of the note to the date the Agency received the funds.

F Security Instrument Releases

[7 CFR Part 765.155(a)] (1) Unless the Agency has reservations regarding the validity of the payment, the Agency may release the borrower’s security instruments at the time payment is made, if the borrower makes a final payment by one of the following methods:

(i) U.S. Treasury check;
(ii) Cashier’s check; or
(iii) Certified check.

[7 CFR Part 765.155(a)(2)] Security instruments will only be released when all loans secured by the instruments have been paid in full or otherwise satisfied.

*--The authorized agency official will check FSA’s automated systems, including ADPS, DLS, NRRS, and all information in the borrower’s file.

Note: If NRRS financial transaction status is not showing settled, send an e-mail to SM.FSA.DCWA7.NRRS requesting to check Treasury record for status of Remittance ID XXXX.--*

SED may issue a State supplement providing guidance about actions and filing fees for the release of loan security instruments.

[7 CFR 765.155(a)(3)] The Agency will return the paid note and satisfied security instruments to the borrower after the Agency processes the final payment and determines that the total indebtedness is paid in full.

After verifying that the loans are paid in full and the payment has cleared, the authorized agency official will close the case files and return the documents to the borrower according to 32-AS. FSA-2071 shall be attached with the documents sent to the borrower with a copy placed in the case file. Any assignments held by FSA will be terminated using Exhibit 27 and satisfaction of liens will be recorded on FSA-2433.
A Introduction

*--PAD payments are customer authorized transactions that allow the RD Business Center to electronically collect loan payments from a customer’s account at a financial institution. CB is responsible for setting-up, changing, correcting and canceling PAD agreements.--*

PAD was implemented for our FLP customers as an alternative way to make weekly, bi-weekly, monthly, quarterly, semi-annual or annual payments on their loans. There is no additional cost to customers for using PAD.

B Using Form RD 3550-28

PAD is initiated by the customer using RD 3550-28. Customer use of PAD is strictly voluntary. RD 3550-28 must be completed by the customer and the FI. If the customer has a “filter” on their FI account, they will need to provide the FI with the:

- origination ID: 1220040804
- agency name: USDA RD DCFO.

A separate RD 3550-28 must be completed for each loan to which payments are to be applied. RD 3550-28 has no expiration date. The web address for the fillable form can be accessed at https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home, select RD 3550-28.
C County Office Actions

After a transfer and assumption, new borrowers shall be notified of the availability of PAD using Exhibit 27.5 and RD 3550-28. A copy of the notification will be retained in the borrower’s case file. See 3-FLP for instructions on initiating PAD for new applicants.

When a customer returns RD 3550-28 the County Office will:

• review each RD 3550-28 for accuracy and completeness

**Notes:** PAD may only be established for future payments. An accuracy check should be completed to ensure that customer's PAD payment goal will be met.

A payment submission that will **not** make the annual installment requires advance notice to the authorizing borrower. The County Office will document the notice in the case file (or FBP if appropriate).

• FAX a copy of each accurate and complete RD 3550-28 to CB at 314-457-4370

**Note:** If using fax2mail, type //FINE at the end of the subject line. This method will be used for all PAD related contact with CB.

• retain each original RD 3550-28 in the borrower’s case file (position 2).

D RD Business Center Actions

Upon receipt of RD 3550-28, CB will update the PAD agreement into the PAD stand-alone system. Allow up to 20 workdays for CB to establish a borrower in the PAD system.

PAD confirmation letters are created by CB when a new account is established or when a change is made to an existing account. The letters are sent to the Field Office and borrower.

**Note:** The County Office will complete a thorough review of all PAD confirmation letters immediately after they are received from the RD Business Center, CB. If an error is identified, CB should be contacted by FAX as listed in 1-FLP.--*
A PAD Payments and Receipts

Scheduled PAD payments are withdrawn from borrowers’ FI accounts and updated to PLAS—(ADPS). FLB manually applies any payments that do not automatically update to PLAS. The PAD transaction will be reflected on the statement the borrower receives from their FI. The statement is the borrower’s payment receipt.

If a correction to an existing PAD agreement needs to be made, it should be clearly marked as a correction at the top of RD 3550-28 and FAXed to CB. The correction should be sent to CB at least 5 workdays before the correction request date.

B Dealing With Non-Payment

When the FI cannot post the PAD transaction to the designated borrower’s account, the FI is instructed by CB to reject the transaction.

When a PAD transaction is rejected, CB contacts the County Office to verify the reason for rejection (such as insufficient funds, account closed, payment stopped), and to determine how the rejected payment will be collected. CB cannot proceed until the rejection is resolved; a timely reply from the County Office will expedite the process.

If the reason for the rejection is no fault of the borrower, the original credit date will be given when the resolution takes place.

If a borrower has 3 concurrent rejections, the PAD agreement will be terminated. See subparagraph E.

C Restructures and Assumptions

When a loan on PAD is being considered for restructuring or assumption, the County Office must FAX a detailed memo to CB to terminate the original RD 3550-28. To avoid additional payment withdrawals this should be done at least 5 workdays before the termination request date.

The County Office will notify the borrower that PAD is being canceled to process the restructuring or assumption. A record of the notification will be kept in the case file (or FBP if appropriate). This is not an adverse decision.

After a restructure of a loan formerly on PAD, the County Office will notify the borrower of the continued availability of PAD and provide the borrower with RD 3550-28. A record of the notification will be kept in the case file (or FBP if appropriate).
B Conducting Yearly Debt Instrument Inventory (Continued)

• take necessary corrective action when the:
  • difference in the principal loan amount or noncapitalized interest amount is more than $100
  • interest rate must be corrected

  Note: Attach a copy of the letter changing the interest rate to the promissory note (it is not necessary to correct promissory notes when the rate on the promissory note does not match RC 830A as a result of the interest rate being modified based on a limited resource review).

• obtain guidance from the OGC regional attorney, through the State Office, about any necessary corrections to promissory notes, or shared appreciation agreements

• ensure that copies of all instruments are filed in case files

• submit cases requiring corrections to the State Office coordinator on FSA-2446 and State Office coordinators will send completed FSA-2446’s to the RD Business Center, FLB.—* See 1-FLP, subparagraph 5 B.

  Note: State Office coordinators should track and monitor the submission and resolution of account corrections using FSA-2445.

• obtain guidance from OGC regional attorney, through the State Office, about the need to replace lost or missing debt instruments

• advise SED of the review results by July 31 of each year and retain RC 830A as a subdivided file under FLP-1-B, “Reports” according to 32-AS until the next year’s report has been received and reviewed.
**Maintaining Debt Instruments (Continued)**

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**C Conducting Yearly Debt Instrument Inventory for CNC Accounts**

Coinciding with the Yearly Debt Instrument Inventory provided in subparagraph 97 B, the County Office shall review a listing of all CNC borrowers who should have debt instruments maintained in the County Office. Offices will use the current year March RC 540-L to complete this action.

When the March RC 540-L is received, the County Office shall:

- verify that the debt instruments exist and are filed in the Service Center locking-type, fire-resistance file cabinets in accordance with 32-AS
- compare the information provided on March RC 540-L to the related debt instrument to identify any discrepancies

**Note:** Review findings shall be documented on March RC 540-L.

- ensure that copies of all instruments are filed in case files
- obtain guidance from the National Office, through the State Office, about missing debt instruments
- advise SED of the review results by July 31 of each year and retain the March RC 540-L as a subdivided file under FLP-1-B, “Reports” according to 32-AS until the next year’s report has been received and reviewed.

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**Maintaining Security Instruments**

**A Maintaining Security Documents**

Each County Office must maintain security instruments according to 32-AS.

An FSA UCC Security Guide is available for guidance on perfecting and maintaining interest in non-real estate security. This is available from the Farm Loan Programs Systems page at [https://intranet-apps.fsa.usda.gov/flp/IndexServlet](https://intranet-apps.fsa.usda.gov/flp/IndexServlet). Under “Informational Links”, CLICK “FLP Training SharePoint” to go to the Farm Loan Programs Training SharePoint page.

Even if a borrower is being serviced under a bankruptcy plan, it is critical that the FSA UCC financing statement does not lapse. A continuation financing statement must be filed when necessary. FSA is permitted to do so without obtaining relief from the automatic stay according to 11 U.S.C. 362 (b)(3). See 5-FLP, Part 11 for additional bankruptcy guidance.
Section 2  Subordinations

116  Requesting Subordinations

A  Borrower Application

[7 CFR 765.205 (a)] The borrower must submit the following, unless it already exists in the Agency’s file and is still current as determined by the Agency:

[7 CFR 765.205 (a)] (1)  Completed Agency application for subordination form;

*--FSA-2062 will be used for all chattel and real estate subordination requests.--*

* * *

[7 CFR 765.205 (a)] (2)  A current financial statement, including, in the case of an entity, financial statements from all entity members;

FSA-2037 * * * or any other format approved by FSA containing the same information.

[7 CFR 765.205 (a)] (3)  Documentation of compliance with the Agency’s environmental regulations contained in part 799 of this chapter;

AD-1026.

See 1-FLP, subparagraph 222 C for guidance to identify potential wetlands that may be impacted by the proposed action.

[7 CFR 765.205 (a)] (4)  Verification of all non-farm income;

[7 CFR 765.205 (a)] (5)  The farm’s operating plan, including a projected cash flow budget reflecting production, income, expenses, and debt repayment plan; and

FSA-2038 or any other format approved by FSA containing the same information.--*

[7 CFR 765.205 (a)] (6)  Verification of all debts.
A Borrower Application (Continued)

A credit report is required unless current credit information is already contained in the borrower’s case file or is otherwise available. The credit report fee will be paid by FSA unless the borrower has also applied for an FLP loan.

A current credit report obtained by the participating lender is authorized for use to verify debts.

See 3-FLP, subparagraph 42 A for the verification process of non-farm income and debts.

With subordinations, FSA and the lender essentially partner in providing joint financing to the borrower and share applicable financial and loan information.

*—FSA may accept application items listed on FSA-2062 Part A, Item 3 from borrowers, or—* directly from lenders who submit documents on behalf of the borrower; or obtain copies of the items from the guaranteed lenders FSA file, to support subordination requests.  * * *

These items will be input into FBP. The analysis completed by the approval official can be brief since both FSA and the lender have processed loans according to their respective credit quality requirements.

* * *
Section 3  Junior Liens

126  General Conditions for Junior Liens

A  General Policy

[7 CFR 765.206(a)] The borrower will not give a lien on Agency security without the consent of the Agency. Failure to obtain Agency consent will be considered by the Agency when making eligibility determinations for future requests for assistance and may adversely impact such requests.

To request FSA approval of a junior lien, the borrower must submit to FSA:

* * *

*--FSA-2061--*

- a copy of the farm operating plan submitted to the junior lienholder
- an FBP or other similar plan of operation that shows the junior lien and repayment schedule
- any other information necessary for FSA to make a decision.
B Conditions for Consent to a Junior Lien

[7 CFR 765.206(b)] The Agency will consent to the terms of a junior lien if all of the following conditions are met:

[7 CFR 765.206(b)] (1) The borrower’s ability to make scheduled loan payments is not jeopardized;

[7 CFR 765.206(b)] (2) The borrower provides the Agency a copy of the farm operating plan submitted to the junior lienholder, and the plan is consistent with the Agency operating plan;

[7 CFR 765.206(b)] (3) The total debt against the security does not exceed the security’s market value;

FSA will not obtain appraisals to consider junior liens. Any appraisal required by FSA to make this decision must be supplied by the borrower or lender and will be reviewed by FSA to ensure that all 1-FLP requirements are met.

[7 CFR 765.206(b)] (4) The junior lienholder agrees in writing not to foreclose the security instrument unless written notice is provided to the Agency;

[7 CFR 765.206(b)] (5) The borrower is unable to graduate on any program except for CL; and

[7 CFR 765.206(b)] (6) The junior lien will not otherwise adversely impact the Agency’s financial interests.

*--Note: Approval authority rests with any authorized agency official.--*

C Unapproved Junior Liens

FSA will consider an unapproved junior lien on security when determining future borrower eligibility for FSA loanmaking or servicing actions.

127-135 (Reserved)
Section 4 Severance Agreements

136 Conditions for Severance Agreements

A Severance Agreements Conditions

[7 CFR 765.207] For loans secured by real estate, a borrower may request Agency consent to a severance agreement or similar instrument so that future chattel acquired by the borrower will not become part of the real estate securing the FLP debt. The Agency will consent to severance agreements if all of the following conditions are met:

(a) The financing arrangements are in the financial interest of the Agency and the borrower;

(b) The transaction will not adversely affect the Agency’s security position;

(c) The borrower is unable to graduate on any program except for CL;

(d) The transaction will not jeopardize the borrower’s ability to pay all outstanding debts to the Agency and other creditors; and

(e) The property acquired is consistent with authorized loan purposes.

The borrower must submit all information required under subparagraph 126 A to request FSA consideration.

B Items That May Be Included in a Severance Agreement

Examples of items that the borrower may acquire subject to a chattel lien and, therefore, may be included in a severance agreement are:

- silos
- storage bins
- bulk milk tanks
- irrigation equipment
- other income producing facilities.

C Approving Severance Agreements

SED is authorized to approve severance agreements. This authority may be redelegated to the FLC, FLS, or DD.

*The authorized agency official will approve a severance request by executing FSA-2061--* and the necessary severance agreements. OGC approval must be obtained on a severance agreement submitted on a form that has not previously been approved for use in the State.
C Approving Severance Agreements (Continued)

The authorized agency official may approve the severance agreement by executing the electronic signature command in the credit presentation section of FBP. Under the electronic signature, the approval official may designate the FLM, SFLO, or FLO the responsibility to execute agency and required legal documents to complete the severance agreement. The authorized agency official must include in the physical case file, all components of FBP that require signatures as provided in the FPB User Guide, available at [https://inside.fsa.usda.gov/program-areas/daflp/software-manuals/index](https://inside.fsa.usda.gov/program-areas/daflp/software-manuals/index).

Processing and tracking a request for severance agreement will be done in DLS, Consent Request. Indicate in the comment section “Severance Agreement dated mm/dd/yr” (insert date).

SED’s may issue State supplements on approving severance agreements, as appropriate.

D Appeals Rights

If a request under this section cannot be approved, the borrower will be notified of all appeal rights according to 1-APP.

137-145 (Reserved)
146 Release Without Monetary Consideration

A Approval

*--SED may approve a release request by executing FSA-2061, FSA-2470, or other--*
documents approved by OGC. Before approval of a release without monetary consideration,
borrower’s ability to graduate to commercial credit must be considered and documented.

The transaction may be approved by using the electronic signature command in the credit
presentation section of FBP. SED may designate responsibility to an authorized agency
official to execute agency and required legal documents to complete the transaction in FBP.
All components of FBP that requires signatures must be included in the physical case file.

B Release Because of Mutual Mistakes

SED’s can authorize a release because of mutual mistakes only when they do all of the
following:

- determine that a mutual error existed when the security was included in FSA’s mortgage
  or lien

- obtain OGC’s advice on whether a mutual mistake was made

- substantiate that the mistake was made

- document the findings in the borrower’s FBP credit presentation.

C Release Because of No Evidence of Indebtedness

SED may release a borrower’s mortgage or lien, if the records of State and County Offices
*--and the RD Business Center, FLB contain no evidence of an existing indebtedness--*
secured by the mortgage or lien.

Note: The authorized agency official should verify that the borrower has no outstanding
debt with the Rural Development. The findings should be documented in the
borrowers FBP credit presentation.
D Borrower Requested Chattel Security Release

[7 CFR 765.305(c)] The Agency will release its lien on chattel security without compensation, upon borrower request provided:

(1) The borrower has not received primary loan servicing or Disaster Set-Aside within the last 3 years;

(2) The borrower will retain the security and use it as collateral for other credit, including partial graduation as specified in § 765.101 (Part 4);

(3) The security margin on each FLP direct loan will be 150 percent or more after the release. The value of the retained and released security will normally be based on appraisals obtained as specified in § 761.7 of this chapter (1-FLP, Part 6); however, well documented recent sales of similar properties can be used if the Agency determines a supportable decision can be made without current appraisals;

(4) The release is approved by the FSA State Executive Director; and

(5) Except for CL, the borrower is unable to fully graduate as specified in § 765.101 (Part 2).

The authorized agency official will prepare FBP credit presentation explaining how each of the applicable conditions above are met and submit the narrative along with supporting documentation to the State Office for review and concurrence. To meet the 3-year requirement for not having received PLS or DSA, the borrower’s request can only be made at least 3 years since their initial loans. Supporting documentation will include all calculations and copies of any well-documented recent sales, such as recent auctions, or other transactions in the area. In addition, the authorized agency official will assure that requirements in Part 2 are completed. State Office officials will review the request and if they concur, submit the request to the SED for approval.

E Borrower Requested Real Estate Security Release

[765.351(f)] Real estate security may be released by FSA without compensation when the requirements of paragraph (a) of this section (subparagraph 196 B), except paragraph (a)(3) of this section (subparagraph 196 B), are met, and:

(1) The borrower has not received primary loan servicing or Disaster Set-Aside within the last 3 years;

(2) The security is:

(i) To be retained by the borrower and used as collateral for other credit, including partial graduation as specified in § 765.101 (Part 2); or--*
Section 3  Real Estate Security Releases, Exchanges or other Disposition of Portion or Interest

196  Requirements

A  General

[7 CFR 765.351] The borrower must obtain prior consent from the Agency for any transactions affecting the real estate security, including but not limited to, sale or exchange of security, a right-of-way across security, and a partial release. The Agency may consent to such transactions provided the conditions in this section are met.

Notes: This section also applies to subordinations and non-disturbance agreements made for nonlending purposes.

This section also covers the sale of water and water rights.

The borrower must:

•*>complete and sign FSA-2061 with the assistance of the authorized agency official<*

• provide a written contract or an agreement for the property indicating the price and terms of the transaction

• sell the property for not less than the appraised value unless FSA is being paid in full.

Borrower’s request to sell real estate at public auction may only be approved through an Administrator’s Exception. In addition to information required under subparagraph 4 B, the request will also address:

• auctioneer’s experience with selling real estate

• auctioneer’s plan for advertising auction including where advertisements will be placed and how long they will run

• how the auction will maximize FSA recovery over a traditional sale through a realtor.
A  Appraisal Requirements

[7 CFR 765.353(a)]  (1) The Agency will obtain an appraisal of the security proposed for disposition.

(2) The Agency may waive the appraisal requirement when the estimated value is less than $50,000.

The authorized agency official is responsible for estimating value. The estimate will be based upon the intended use of the real estate and will be supported by comparable sales and/or discussions with real estate agents and documented in the case file.

An appraisal report for the security to be transferred or released (except for releases without monetary compensation under subparagraph 146 E) will be obtained when the authorized agency official believes it necessary to protect the financial interest of the government or the disposition is greater than $50,000.

[7 CFR 765.353(b)]  The Agency will obtain an appraisal of the remaining security if it determines that the transaction will reduce the value of the remaining security.

A new appraisal report for the security being retained will only be obtained when the authorized agency official determines that the value of the retained property could be adversely affected by the loss of the transferred or released property.

[7 CFR 765.353(c)]  Appraisals, when required, will be conducted in accordance with § 761.7 of this chapter (1-FLP, Part 6).

Note:  Exceptions may be requested according to paragraph 4 for appraisals completed between 12 and 18 months ago.

Appraisal reports under this section may show the current market value of the property being transferred or released, and the property being retained (when determined appraisal is necessary), on a single appraisal report or on separate appraisal reports.

The value of rights to mining products, gravel, oil, gas, coal or other minerals will be specifically included as a part of the appraised value of the real estate security.
Approving or Denying Partial Releases or Exchanges

A Approval Authority

Approval officials may approve partial releases or exchanges when FSA indebtedness, after the transaction, does not exceed their approval authority for the type of loan or a combination of types of loans according to 1-FLP, subparagraph 29 D. When more than 1 type of loan is involved in the transaction, the loan approval authority of the approval official will be the highest combination amount authorized in 1-FLP, subparagraph 29 D for any loan types involved. SED is authorized to approve any transaction consistent with this section.

On an individual case basis, SED may approve a partial release or exchange for less than the appraised value under this paragraph when:

- the amount being received is within 10 percent of the appraised value

  Note: This authority applies to this paragraph only.

Example 1: A borrower is selling a parcel of real estate and has agreed to a sales contract for $200,000. However, the appraisal indicates a value of $215,000. Since the appraisal is within 10 percent ($215,000 x .10 = 21,500 ~ 193500-215,000), the transaction can be approved without a DAFLP exception.

- the property has been professionally and extensively marketed.

  The authorized agency official must approve a partial release by executing FSA-2061 and--* FSA-2470.

The authorized agency official may approve the transaction by executing the electronic signature command in the credit presentation section of FBP. Under the electronic signature, the approval official may designate the FLM, SFLO, or FLO the responsibility to execute agency and required legal documents to complete the transaction.

The authorized agency official must include in the physical case file, all components of FBP that require signatures as provided in the FPB User Guide, available at https://inside.fsa.usda.gov/program-areas/daflp/software-manuals/index.

Processing and tracking a request for partial release will be done in DLS.
246  Transfer of Security and Assumption of Debt (Continued)

E  Determining the Assumption Amount

[7 CFR 765.403(d)] The transferee must assume the lesser of:

(1) The outstanding balance of the transferor’s loan; or

(2) The market value of the security, less prior liens and authorized costs, if the outstanding loan balance exceeds the market value of the property.

F  Determining the Value of the Security Property

The value of the security property must be determined before approving a transfer and assumption. Appraisals will be conducted according to 1-FLP, Part 6. The appraisal determines the value of the security and the amount of the indebtedness that may be assumed.

G  Forgiveness of Youth Loan Debt

Notwithstanding any other FSA regulation, forgiveness of youth loan debt, because of circumstances beyond the borrower’s control, does not preclude the applicant, or any member of an entity applicant, from obtaining additional direct or guaranteed loans from FSA. This includes assumption of FSA debt or any other financial assistance that cites this section as part of its eligibility. The criteria for determining if the forgiveness was beyond the borrower’s control are the same criteria used in 7 CFR section 766.104(a)(1). Any borrower who met those criteria when the youth loan was forgiven will not be denied loan assistance based on forgiveness of youth loan debt. Debt that was forgiven on any other type of loan, even with the same borrower, is still considered according to the present regulations and can preclude the applicant from receiving a loan from FSA.

247  Types of Transfers and Assumptions

A  New Eligible Borrower

[7 CFR 765.403(a)] The Agency may approve transfers of security with assumption of Agency debt, other than EM loans for physical or production losses, by transferees eligible for the type of loan being assumed if:

(1) The transferee meets all loan and security requirements in part 764 (3-FLP) of this chapter for the type of loan being assumed; and

(2) The outstanding loan balance (principal and interest) does not exceed the maximum loan limit for the type of loan as contained in § 761.8 (1-FLP) of this chapter.

*--Transfer of security and assumption of debt for a new eligible borrower is completed at new rates and terms. If the debt for the existing borrower is delinquent, the delinquency is resolved when the transfer and assumption at new rates and terms is completed.--*
Types of Transfers and Assumptions (Continued)

A New Eligible Borrower (Continued)

Before a sale, the borrower and the proposed transferee should contact their local FSA office and submit or participate in completion of the documents to initiate the transfer and assumption process.

The completed documents must include, as applicable:

- complete application by the proposed transferee for the type of loan and amount of debt to be assumed according to 3-FLP, Part 3
- narrative by the authorized agency official describing the proposal
- appraisal from the transferor’s file, with a copy to the transferee’s file
- transferring “deed” or “bill of sale” from the transferor to the transferee
- FSA-2025
- FSA-2061
- FSA-2080, if applicable
- FSA-2476
- FSA-2489
- additional documents such as UCC1’s, FSA-2028’s, and mortgages as required.

B Adding a New Member to a Borrower Entity

To add new entity members to an existing borrower entity, the proposed individual entity members and the entity as a whole must meet the eligibility requirements as defined in 3-FLP, Part 4. Adding a new member to a borrower entity is completed at same rates and terms.

The borrower and the proposed entity member should contact their local FSA office and submit or participate in the completion of the documents to initiate the transfer and assumption process. The completed documents may include:

- complete application by the proposed new entity for the type of loan and amount of debt to be assumed according to 3-FLP, Part 3
- narrative by the authorized agency official describing the proposal
- FSA-2025
281 General

*--A Protections for Borrowers on Active Duty


(1) The benefits and protections of the Servicemembers Civil Relief Act apply to borrowers on active duty at all times.

(2) The requirements of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year (FY) 2005 apply during a time of a war or national emergency as declared by the President or Congress.

(b) Eligibility for National Guard members and military reservists. Borrowers who are National Guard members or military reservists will be eligible for the protections covered by this section, as specified in paragraphs (b)(1) and (2) of this section:

(1) National Guard members must be on duty for at least 30 consecutive calendar days.

(2) Military reservists are eligible from the date orders are received to report for active duty.

(c) Entity eligibility. National Guard members and military reservists on active duty and any operating entity owned solely by the active duty borrower may be considered for protections specified in paragraph (a) of this section.--*

* * *
A Interest Rate

Subject to paragraph 283, FSA may not charge interest exceeding 6 percent on existing FLP debt if the borrower enters full-time active military duty.

Upon learning that a borrower enters active duty, the authorized agency official shall send Exhibit 52 to the borrower stating that the interest rate on their existing FSA loans will not exceed 6 percent while the borrower is on active military duty. The borrower shall submit written notice and a copy of the military orders calling the service member to military service and any orders further extending military service. The interest rate change will be effective with the date the military service started (as verified in the military orders submitted by the borrower).

If the borrower’s interest rate is already lower than the 6 percent rate, the borrower will be notified that FSA will not increase the borrower’s interest rate.

In times of war or national emergency, active duty members are eligible to have their FSA interest and payments deferred on existing loans. Exhibit 52 may be used as is or a similar notification letter may be used to address the borrower’s specific circumstances. See paragraph 283 for additional details.

Adjustments to the interest rate based on military service must be processed by the RD Business Center, FLB only; therefore, the authorized agency official should send a memorandum to the RD Business Center, FLB that confirms the military service of the borrower and the effective date of that service.

In addition, the authorized agency official shall process applicable changes to MIDAS Business Partner to change the borrower’s address to the address at which FSA may contact the borrower while on active military duty or the address of a designated power of attorney.

B Penalty for Violations

Violations of the Servicemembers Civil Relief Act of 2003 are misdemeanors. Knowingly violating the provisions of the Servicemembers Civil Relief Act of 2003 is punishable by fines, imprisonment for not more than 1 year, or both.
Treasury and internal administrative offsets will be discontinued once a borrower is ordered to report for induction or military service, and any payments received as a result of offset after the date the borrower was called to active duty will be refunded. Treasury offsets shall be suspended by State Offices by deleting affected loans each quarter on the Borrowers Eligible for TOP Offset Certified Screen or the Borrowers Eligible for TOP Offset Screen. Co-borrowers associated with this debt must also be deleted in an effort to reduce hardship on the family. See applicable FI directives for further information. The suspension will begin when the borrower is ordered to report for induction or military service and continues during the period of active duty and 3 months thereafter.

**Note:** Use delete code “07”, “Borrower was indebted to FSA before entering full time active duty military service and the account is being serviced according to the National Defense Act.”

**K Treasury Cross-Servicing**

Borrowers and co-borrowers called to active military duty similarly shall not be referred for cross-servicing.

**Note:** If the borrower has been referred to Treasury for cross-servicing, State Offices must *--FAX FSA-2722’s with code “07” in item 14A to the RD Business Center, FLB--*

See 1-FLP, subparagraph 5 B.

**L Canceling the 6 Percent Interest Rate**

If FSA decreased the borrower’s interest rate, as soon as the authorized agency official verifies that a borrower is no longer on active duty, the authorized agency official shall send a *--letter to the RD Business Center, FLB. This letter instructs the RD Business Center, FLB--* to terminate the 6 percent interest rate and revert to the rate in existence before the assignment of the 6 percent rate.
A  Suspension of Interest Accrual and Payments

During a time of war or national emergency as declared by the President or Congress, the FLP payments on existing loans of borrowers on active duty will be suspended and interest will not accrue beginning on October 28, 2004, or the date in which they enter active duty, whichever is later. If any regular payments have been made since the date noted, October 28, 2004, the borrower should be contacted, and the payment will be refunded at their request. For existing loans, all payments due, as well as the due dates of all payments due during and after such active duty will be suspended or deferred for a period of time equal to the time the borrower is on active duty during war or a national emergency.

Example: A borrower with an OL (matures January 15, 2019, annual payment on January 1) and a FO (matures February 15, 2040, annual payment on January 1) enters active duty on October 1, 2016, and is discharged on April 1, 2017 (182 days).

- Interest will not accrue from October 1, 2016, to April 1, 2017.

- The payments on both loans will be due on September 30 each year (April 1, 2017 + 182 days = September 30).

Note: Funds from the sale of basic security must be applied as an extra payment according to subparagraph 63 A.

When information is received by the County Office that a borrower has entered or is entering active duty, the County Office will send:

- the borrower, Exhibit 52, informing them that for existing loans, payments will be suspended and interest will not accrue during time of active duty

**--the RD Business Center, FLB a courtesy copy by FAX (1-FLP, subparagraph 5 B).--**
B Reinstating Annual Payments and Interest Accrual

The payment suspension and interest nonaccrual status will end on the earlier of the date the:

- war or national emergency is over
- borrower is released from active duty.

When information is received that the war or national emergency is over, or the borrower has been released from active duty, the County Office shall:

- send the borrower Exhibit 53, informing them that suspension and nonaccrual status has ended, the payment deferral period has started, and the expected due date of the post-deferral payment

**--send the RD Business Center, FLB a courtesy copy by FAX--**

- attach a copy of Exhibit 53 to the impacted promissory notes.

Note: Pre-military service delinquent payments will also be deferred on Exhibit 53 for a period equal to the length of service. Any delinquency remaining at the end of the deferral period will be serviced under 5-FLP, Part 3.

C PLS and DSA

When a borrower applies for PLS, it will be treated like a normal servicing application under 5-FLP, Part 3 and will be entered into eDALR$ accordingly without any changes to the servicing term available. If eDALR$ generates a feasible plan, provide the offer to the borrower as normal.

For instances where a feasible plan cannot be found or the borrower requests DSA, State Offices shall contact LSPMD for assistance.

D Acceleration or Foreclosure

FSA will not accelerate or foreclose on the property of a borrower in the armed forces during the borrower’s tenure of service and for the term of their deferral, thereafter.

Notes: If the account has been referred to DOJ, notify DOJ that the borrower is entitled to relief under the Servicemembers Civil Relief Act of 2003 and the Ronald W. Reagan National Defense Authorization Act for Fiscal Year (FY) 2005 (subparagraph 281 A).

Notify DOJ once information is received that the war or national emergency is over, or if the borrower has been released from active duty.
## Reports

None.

## Forms

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Redelegations of Authority

SED’s may redelegate their authority to approve:

- subordinations or releasing and refiling lien instruments instead of subordination to FLC, FLS, or DD

- surface leases for farm property no longer in use (such as old barns) or for nonfarm purposes (such as wind turbines, communication towers, or other similar installations) to FLC, FLS, or DD

- severance agreement to FLC, FLS, or DD

- transfer and assumption to FLC, FLS, or DD.
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<tr>
<td>102 B</td>
<td>Potential purchaser notification.</td>
</tr>
<tr>
<td>117 B</td>
<td>Releasing and refiling lien instruments.</td>
</tr>
<tr>
<td>118 A</td>
<td>Multi-year subordinations.</td>
</tr>
<tr>
<td>120 A</td>
<td>Real estate subordinations.</td>
</tr>
<tr>
<td>136 C</td>
<td>Severance agreements.</td>
</tr>
<tr>
<td>250 A</td>
<td>Closing documents for transfer and assumptions.</td>
</tr>
<tr>
<td>266 C</td>
<td>Guidance for deceased borrower processing.</td>
</tr>
<tr>
<td>282 D</td>
<td>Establishment of power of attorney.</td>
</tr>
<tr>
<td>291 D</td>
<td>Transfer of borrower’s records and lien searches.</td>
</tr>
</tbody>
</table>

Note:  SED’s shall:

- issue State supplements according to 1-AS, paragraph 216
- obtain approval of State supplements according to 1-AS, paragraph 220.
Request for Operational Review Information

The following is an example letter the authorized agency official may use to request information from borrower. Go to https://inside.fsa.usda.gov/. CLICK “Employee Forms” at the top of the page and CLICK “Find Current Forms Using Our Form Number Search”.

For “Form Number” ENTER “4-FLP Exhibit 20”.

(Use Agency Letterhead format with local return address)

REQUEST FOR OPERATIONAL REVIEW INFORMATION

Dear:

At the time you obtained your loan from the Farm Service Agency (FSA), you were unable to get the credit you needed from conventional lenders. The objective of the FSA credit program is to provide you with temporary credit assistance. Once you become financially able to obtain credit from conventional lenders, you are required to refinance and pay off your FSA loan (also called “Graduation”).

Agency policy requires that we complete an operational review to determine your financial status and the progress you are making at least biennially. More frequent reviews are required when you obtain a subsequent FSA loan or subordination, become financially distressed or delinquent, or have loans with deferred payments. In order to complete an accurate review, we ask you to provide the following information to our office.

1) Actual financial performance for the past year (a copy of your last year’s tax return or last year’s income and expense records is acceptable).

2) Current balance sheet,

3) Projected income/expense for next year (a copy of your current year’s is also acceptable)

4) Annual crop and livestock production yields

5) Review and update, if needed, of assessment (copy attached). Please pencil in comments or changes.

Enclosed are forms FSA-2002, FSA-2003, FSA-2037 and FSA-2038 you can use to provide us with the requested information, or you can provide us with copies of the actual records as indicated above.

(1st mailing) [insert date 30 calendar days from the letter].

(2nd mailing) [insert date 15 calendar days from the letter].

If you have made sufficient progress, the information or other information in your case file may be provided to lenders to determine if they can refinance your Farm Loan Programs debt.

Failure to submit any required documents is a violation of your loan agreement and FSA can accelerate your account. It is important that you are not in violation of your loan agreement since this can impact any future request for Farm Loan Programs assistance.

If you have questions, or need help putting the information together, please contact our office.

Sincerely,

(Name)

(Title)
Notice of Change in Interest Rate

The following is an example letter the authorized agency official may use to notify a borrower of any decision to change an interest rate. Go to https://inside.fsa.usda.gov/. CLICK “Employee Forms” at the top of the page and CLICK “Find Current Forms Using Our Form Number Search”. For “Form Number” ENTER “4-FLP Exhibit 25”.

4-FLP, Exhibit 25

(Use Agency Letterhead format with local return address.)

NOTICE OF CHANGE IN INTEREST RATE

Dear:

Your promissory note dated _____ for the original amount of _____ dollars ($_____) provides for a change in interest rate for a limited resource loan in accordance with the Farm Service Agency regulations.

Effective _____, the interest rate on this loan will change to _____ percent (_____%) on the unpaid principal balance. Your installment due _____, 20__, and all future installments will be ($______). This is the interest rate in effect today. If your rate is being changed to the regular rate and, as of the effective date, the regular rate of interest is something other than the rate above, you will receive the lower of the two rates. We will notify you again if this interest rate change between today and the effective date and if your payment changes as a result. This is, however, the only notification that provides you with the right to appeal the decision to change your interest rate. The interest rate will not change until any appeal is concluded.

This change in interest rate is for the reason indicated below.

☐ Increase in repayment ability as per Farm Business Plan dated _____

☐ ___ (Enter reason if other than above for increase in interest rate, i.e., you failed to keep the agreements made when the deferral was granted when you purchased items not planned for during the term of the loan, refused to submit information we requested, ceased farming, borrower request.)

☐ Borrower request change under subparagraph 21 F

[1] Insert mediation, reconsideration, and appeal rights from 1-APP unless borrower request the change under subparagraph 32B] and [2] Insert BOU Notice from 1-FLP, subparagraph 41C.)

Sincerely,

(Name)

(Title)

In accordance with Federal civil rights laws and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, familial status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity. Remedies and complaint filing deadlines vary by program or activity.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the reasonable accommodation program coordinator. Equal opportunity provider. USDA is an equal opportunity provider, employer, and lender.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov. USDA is an equal opportunity provider, employer, and lender.
Service Members Civil Relief

When information is received that a borrower has entered active duty, or is scheduled to enter active duty, the County Office shall send:

- the borrower information required in paragraph 282
- the RD Business Center, FLB a courtesy copy by FAX (1-FLP, subparagraph 5 B).

The County Office may use this exhibit without change, or draft a similar letter to address the borrower’s specific circumstances.

Note: Exhibit 51 is available in a fillable format. Go to [https://inside.fsa.usda.gov/](https://inside.fsa.usda.gov/). CLICK “Employee Forms” at the top of the page and CLICK “Find Current Forms Using Our Form Number Search”. For “Form Number”, ENTER “4-FLP Exhibit 51”.

<table>
<thead>
<tr>
<th>4-FLP, Exhibit 51</th>
</tr>
</thead>
</table>

(Use Agency Letterhead format with local return address.)

**SERVICE MEMBERS CIVIL RELIEF**

Dear:

It has come to the attention of FSA that you may have entered active military duty, or may be entering active military duty in the near future.

If so, there are certain benefits you may be able to receive pursuant to the Servicemembers Civil Relief Act of 2003. These benefits may include a reduced interest rate if your current rate is above 6%; and if your account is delinquent, suspension/termination of collection through the Treasury Offset Program and cross-servicing program.

Please provide a copy of your military orders so FSA may provide all applicable benefits to you as quickly as possible.

If you are currently on active military duty and there is a pending FSA foreclosure sale scheduled for the property pledged as collateral for your FSA farm loans, please respond to this letter immediately via phone, or e-mail, or letter, so that the sale can be suspended.

If FSA does not receive a copy of your military orders to verify active duty status within 30 days of this letter, FSA will have no choice but to continue to service your account as if you are not on active military duty and FSA will not be able to provide any Servicemembers Civil Relief benefits until the required documentation is received.

If you have a military power of attorney already prepared and executed pursuant to 10 U.S.C. 100b, and would like FSA to work with that person, please provide a copy of that document. Please note that FSA is unable to prepare or help you prepare a power of attorney. We would encourage you to work with your attorney, military recruiter, or military chain of command for assistance with a power of attorney.

In addition, if you are on active duty during a time period that is declared by the President or Congress to be a war or national emergency, there are additional benefits you may be able to receive pursuant to the Ronald W. Reagan National Defense Authorization Act for Fiscal Year (FY) 2005. You will receive separate notification concerning these benefits if they apply to you.

Please do not hesitate to contact this office if any further information is required.
Borrowers Entering Active Duty in Times of War or National Emergency

When information is received by the County Office that a borrower has entered or is entering active duty, the County Office shall send:

- the borrower the following, informing them that payments will be suspended, and interest will not accrue during time of active duty

- the RD Business Center, FLB a courtesy copy by FAX (1-FLP, subparagraph 5 B).

Note: This exhibit may only be revised by SED.
Note: Exhibit 52 is available in a fillable format. Go to https://inside.fsa.usda.gov/. CLICK “Employee Forms” at the top of the page and CLICK “Find Current Forms Using Our Form Number Search”. For “Form Number”, ENTER “4-FLP Exhibit 52”.

4-FLP, Exhibit 52

(Use Agency Letterhead format with local return address.)

BORROWERS ENTERING ACTIVE DUTY

Dear:

On October 28, 2004, the President signed into law the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (the Act). As per the Act, while you are on active duty, interest will not accrue and annual payments will not be required (will be suspended) on your existing Farm Service Agency (FSA) Farm Loan Program (FLP) loans while the United States is at war or during a national emergency as declared by the President or Congress. Payments due during or after active duty will be suspended or deferred for the length of time you are on active duty. New loans are not covered by the Act.

The beginning date of the suspension and non-accrual status is _____. The suspension and non-accrual status will end on the earlier of when your active duty ends or the war or national emergency is concluded.

FSA is committed to providing service to assist our borrowers who are impacted by military deployment. Please continue to keep this office apprised of your current duty status so your account can be updated in a timely manner once you are relieved from active duty (with a copy of your release orders) or the national emergency has ended.

Please do not hesitate to contact this office if any further information is required.

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA’s TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW
**Borrowers Leaving Active Duty**

When information is received that the war or national emergency is over, or the borrower has been released from active duty, the County Office shall send:

- the borrower the following, informing them that suspension and nonaccrual status has ended
- the RD Business Center, FLB a courtesy copy by FAX (1-FLP, subparagraph 5 B).

**Note:** This exhibit may only be revised by SED.
Borrowers Leaving Active Duty (Continued)

Note: Exhibit 53 is available in a fillable format. Go to https://inside.fsa.usda.gov/. CLICK “Employee Forms” at the top of the page and CLICK “Find Current Forms Using Our Form Number Search”. For “Form Number”, ENTER “4-FLP Exhibit 53”.

Borrowers Leaving Active Duty

Dear:

On October 28, 2004, the President signed into law the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (the Act). As per this Act, interest did not accrue and annual payments were suspended on your existing Farm Service Agency (FSA) Farm Loan Program (FLP) loans when the United States was at war or during a national emergency and you were on active duty. As we understand these conditions no longer exist, interest is now accruing on all your FLP loans. Your payments will be deferred for a period of time equal to the time of your active duty. This period of time has, therefore, been added to the term of your FLP loans impacted by the Act.

NOTE: Loans made after you went on active duty are not subject to the Act.

The beginning date of the suspension and non-accrual status was ____. The ending date of the suspension and non-accrual status was ____. The time period for your active duty was ____; therefore your post deployment deferral period ends _____.

Estimated daily interest accrual on loans with post deployment deferral are set forth below:

<table>
<thead>
<tr>
<th>Loan Number</th>
<th>Principal Balance</th>
<th>Interest Rate</th>
<th>Daily Interest Accrual</th>
</tr>
</thead>
</table>

Your total daily interest accrual is $____. If annual payments are not made during the post deployment deferral period, your total estimated interest accrual will be $____. Voluntary payments during the deferral period will reduce the overall amount of interest accrual because payments are applied to accrued interest first, then to principal.

Please do not hesitate to contact this office if any further information is required.

In accordance with Federal civil rights laws and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

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To file a program discrimination complaint, complete USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov (complaint filling, Just In) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov. USDA is an equal opportunity provider, employer, and lender.

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4-FLP, Exhibit 53

(Use Agency Letterhead format with local return address.)