

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

**Regular Direct Loan Servicing  
4-FLP**

**Amendment 41**

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



**Amendment Transmittal**

**A Reasons for Amendment**

Paragraph 6 has been added to provide ECOA requirements when real estate appraisals are obtained in connection with servicing actions authorized by this handbook.

Page Control Chart		
TC	Text	Exhibit
1, 2	1-9, 1-10	



## Table of Contents

### Page No.

#### Part 1 Introduction and Purpose

1	Purpose and Sources of Authority .....	1-1
2	Related References.....	1-2
3	FLP Forms .....	1-4
4	FSA Exception Authority .....	1-7
5	Introduction to Direct Loan Servicing (Regular).....	1-9
6	ECOA Requirements for Actions Involving Real Estate Security .....	1-10
7-15	(Reserved)	

#### Part 2 Operational Reviews

16	Reviewing a Borrower's Account.....	2-1
17	Updating the Assessment.....	2-3
18	Updating Account Classification .....	2-5
19	Graduation Review .....	2-5
20	Agreement for Using Proceeds .....	2-9
21	Limited Resource Review.....	2-10
22	Year-End Analysis .....	2-14
23	Summary of Operational Review.....	2-15
24-30	(Reserved)	

#### Part 3 (Withdrawn--Amend. 35)

31-33	(Withdrawn--Amend. 35)	
34-45	(Reserved)	

#### Part 4 (Withdrawn--Amend. 35)

46-48	(Withdrawn--Amend. 35)	
49-60	(Reserved)	

#### Part 5 Borrower Payments

61	General.....	5-1
62	Regular Payments .....	5-4
63	Extra Payments .....	5-5
64	Distributing Payments to Loans.....	5-5
65	Final Payments.....	5-7
66	Preauthorized Debit (PAD).....	5-10
67	Managing PAD .....	5-12
68	Completing IRS W-9 .....	5-15
69-95	(Reserved)	

## Table of Contents (Continued)

### Page No.

#### **Part 6          Protecting FSA's Security Interests**

##### **Section 1          General Security Preservation and Lien Protection**

96	Servicing Policy .....	6-1
97	Maintaining Debt Instruments .....	6-3
98	Maintaining Security Instruments.....	6-6
99	Borrower Responsibilities for Complying With Loan Instruments.....	6-9
100	(Withdrawn--Amend. 37)	
101	Making Protective Advances .....	6-15
102	Notifying Potential Purchasers .....	6-17
103	FSA Responsibilities Under Third Party Actions .....	6-18
104-115	(Reserved)	

##### **Section 2          Subordinations**

116	Requesting Subordinations .....	6-31
117	Conditions for Real Estate Subordinations .....	6-32.6
118	Conditions for Chattel Subordinations.....	6-35
119	Appraisal Requirements.....	6-36
120	Approving or Denying Subordination Requests .....	6-37
121-125	(Reserved)	

##### **Section 3          Junior Liens**

126	General Conditions for Junior Liens.....	6-47
127-135	(Reserved)	

##### **Section 4          Severance Agreements**

136	Conditions for Severance Agreements.....	6-61
137-145	(Reserved)	

##### **Section 5          Release of Real Estate and Chattel Security Liens Without Monetary Consideration**

146	Release Without Monetary Consideration .....	6-71
147	Releasing Valueless Liens .....	6-74
148-160	(Reserved)	

## **5 Introduction to Direct Loan Servicing (Regular)**

### **A Purpose**

**[7 CFR 765.1(a)] This part describes the policies for servicing FLP direct loans, except for borrowers who are delinquent, financially distressed, or otherwise in default on their loan.**

### **B Servicing Actions**

**[7 CFR 765.1(b)] Servicing actions described in this part include:**

- (1) Limited resource reviews;**
- (2) Graduation to commercial credit;**
- (3) Application of payments;**
- (4) Maintaining and disposing of security;**
- (5) Transfer of security and assumption of debt; and**
- (6) Servicing accounts of deceased borrowers.**

### **C Loans Covered**

**[7 CFR 765.1(c)] The Agency services FLP direct loans under the policies contained in this part. This part is not applicable to Non-program loans, except where noted.**

This handbook discusses the regular servicing of the following types of FSA loans:

- |   |       |
|---|-------|
| • EE  | • RHF |
| • EM  | • RL  |
| • FO (including beginning farmer downpayment) | • ST  |
| • NP (where specifically addressed)           | • SW  |
| • OL (including youth)                        | • CL. |

**\*--6 ECOA Requirements for Actions Involving Real Estate Security**

**A Release of Real Estate Appraisals**

Equal Credit Opportunity Act (ECOA) requires the Agency to provide a copy of a written real estate appraisal or valuation performed on any real estate that is pledged as security as part of an application for FSA assistance. For servicing actions authorized by this handbook that involve FSA completing any real estate valuation, local offices will comply with the requirements of 1-FLP paragraph 148 to provide a copy of the valuation to the borrower, when applicable.--\*

**7-15 (Reserved)**