

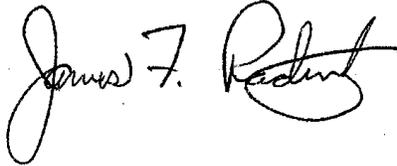
**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

**Regular Direct Loan Servicing  
4-FLP**

**Amendment 9**

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



**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 33 A has been amended to allow notification letters to be sent by regular mail.

Subparagraph 291 C has been amended to allow transferring security and debt instruments to be sent with the case file and by means other than Certified Mail.

Exhibit 2 has been amended to add a definition of Certified Mail.

Exhibit 20 has been amended to remove the Certified Mail and Return Receipt indicator from the example letter.

<b>Page Control Chart</b>		
<b>TC</b>	<b>Text</b>	<b>Exhibit</b>
	3-3, 3-4 12-1, 12-2	2, pages 1, 2 20, page 1



**32 Increasing and Decreasing Interest Rates (Continued)****B Borrower Request**

The authorized agency official may adjust the interest rate on a borrower's limited resource loan to the regular interest rate for that type of loan, if all of the following provisions apply:

- borrower makes the request in writing
- borrower's TDCLCR at the regular interest rate is greater than or equal to 100 percent
- regular rate is lower than or equal to the limited resource rate.

**C Loan Agreement Default**

**[7 CFR 765.51(c)] Except as provided in paragraph (d) (subparagraph D) of this section, the Agency will increase the limited resource interest rate to the current interest rate for the type of loan, if the borrower:**

- (1) Purchases items not planned during the term of the loan;**
- (2) Refuses to submit information the Agency requests for use in reviewing the borrower's financial condition;**
- (3) Ceases farming, as described in § 765.253 (paragraph 99); or**
- (4) Is ineligible due to disqualification resulting from Federal Crop Insurance violation according to 7 CFR part 718 (1-CM).**

**D Deferred Loans**

**[7 CFR 765.51(d)] If the borrower has limited resource interest rate loans that are deferred, the Agency will not change the interest rate during the deferral period.**

**33 Borrower Notification****A Sending Notification Letters**

The authorized agency official must notify a borrower of any decision to change an interest rate with a letter similar to Exhibit 20. The letter must inform the borrower of:

- the new interest rate
- the authorization and reason for the change in interest rate
- the effective date of the new rate
- the amounts of new payments and dates due
- appeal rights, unless the borrower requested the rate increase.

\*--The letter must be sent by regular mail, or hand delivered, and a copy must be placed in--\* the borrower's file. The authorized agency official will not apply the increased interest rate until 30 calendar days after the letter is sent to the borrower. If the borrower appeals FSA's decision to increase the interest rate, the rate will not be changed until the appeal is concluded.

**B Change in Regular Interest Rate**

If the 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 noted in Exhibit 20, the borrower will receive the lower of the 2 rates.

**34-45 (Reserved)**

**Part 12 Transferring Borrower Records, Security, and Servicing Responsibilities**

**291 Procedures and Servicing Responsibility**

**A General**

When a borrower moves from 1 office jurisdiction to another, FSA will transfer loan records and servicing responsibilities. In general, the County Office for the borrower's old location should transfer borrower records when the farm headquarters is relocated to another jurisdiction.

When FSA has referred an account to DOJ or Treasury, borrower records will remain in the existing County Office location.

A County Office may not transfer a borrower's records to another County Office while FSA is considering a debt settlement application for that borrower.

**B Borrower Responsibilities**

When FSA receives notification that a borrower intends to relocate loan security, the authorized agency official must notify the borrower of his or her responsibilities arising from the move.

A borrower who moves or plans to move must:

- notify the County Office in which the security is currently located that they want to move FSA security and provide the intended new address or property location through FSA-2495
- arrange for the care and/or disposition of any loan-related security or properties that the borrower will not move
- promptly execute and provide recording and lien search fees for any new security instruments FSA may require.

For moves within a county, the borrower may apply verbally for approval to relocate security.

**291 Procedures and Servicing Responsibility (Continued)****C File Transfer and Notification Procedure**

When files or servicing responsibilities are proposed for transfer to another FSA jurisdiction within the same State, the transferring County Office must route FSA-2495, together with the borrower's case file, to SED for concurrence and processing guidance.

When the borrower proposes a move to another State, the transferring County Office must route FSA-2495 and the borrower's case file to the transferring SED. SED reviews the transfer material for relocation acceptability and route the transfer material to the receiving State's SED. In such cases, the receiving SED will then:

- contact transferring SED with any concerns or questions
- notify the transferring SED of the address of the receiving County Office
- forward the transferred material to the receiving County Office.

The transferring County Office should process the transfer by completing a "9G" transaction in DLS.

The transferring County Office:

- \*--shall send the receiving office the original security and debt instruments along with the case file, using a carrier method that provides for protection of PII and documentation of delivery--\*
- is responsible for notifying the borrower about whether the relocation of chattel security is authorized.

For moves within a county, the authorized agency official may verbally notify the borrower of FSA's decision. However, the authorized agency official should always document any decision in the borrower's case file.

If FSA does not approve the transfer, the transferring County Office will service the case according to 5-FLP, Part 3.

Transferring and receiving FSA Offices may request each other's assistance as appropriate.

For special or problem circumstances accompanying a security or records relocation, SED should seek assistance from the Regional OGC.

**Definitions of Terms Used in This Handbook (7 CFR 761.2(b))****Abandoned Security Property**

**Abandoned security property is security property that a borrower is not occupying, or is not in possession of, or has relinquished control of, and has not made arrangements for its care or sale.**

**Acceleration**

Acceleration is a demand by a lender for immediate repayment of the entire balance of a debt if the security instrument or promissory note is breached. When FSA accelerates an account, the entire loan balance is due in 30 calendar days.

**Additional Security**

**Additional security is any property which provides security in excess of the amount of security value equal to the loan amount.**

**Agency**

\*--**Agency is FSA**, an agency of USDA, including its personnel and any successor Agency.--\*

**Agency Official**

Agency official is any employee with the agency. This term is used when the action does not require inherent or delegated authority.

**Approval Official**

Approval official is the specific employee who has the authority to approve or deny the described action.

**Assumption**

**Assumption is the act of agreeing to be legally responsible for another party's indebtedness.**

**Authorized Agency Official**

Authorized agency official is an employee who has either inherent or delegated authority to complete the described action.

**Definitions of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)****Basic Security**

**Basic security is all farm machinery, equipment, vehicles, foundation and breeding livestock herds and flocks, including replacements, and real estate that serves as security for a loan made or guaranteed by the Agency.**

**Borrower (or Debtor)**

**Borrower (or debtor) is an individual or entity that has an outstanding obligation to the Agency or to a lender under any direct or guaranteed FLP loan, without regard to whether the loan has been accelerated. The term “borrower” includes all parties liable for such obligation, including collection-only borrowers, except for debtors whose total loans and accounts have been voluntarily or involuntarily foreclosed, sold, or conveyed, or who have been discharged of all such obligations owed to the Agency or guaranteed lender.**

**\*--Certified Mail**

Certified Mail means a delivery service offered by USPS that allows the sender proof of mailing, as well as proof of delivery. Return Receipt service is an additional feature that may be purchased with Certified Mail that includes the recipient’s signature. Senders may choose to receive a return receipt by mail or e-mail. When received by mail, the sender receives a green postcard with the recipient’s actual signature. Senders requesting a return receipt by e-mail receive a proof of deliver letter arriving as a PDF attachment that includes an image of the recipient’s signature. For FLP purposes, the term Certified Mail is intended to mean the combination of the USPS Certified Mail and Return Receipt services. FSA offices may use either method to obtain a return receipt.--\*

**Chattel**

Chattel is any property that is not real estate.

**Chattel Security**

**Chattel security is property that may consist of, but is not limited to: crops; livestock; aquaculture species; farm equipment; inventory; accounts; contract rights; general intangibles; and supplies that are covered by financing statements and security agreements, chattel mortgages, and other security instruments.**

**Civil Action**

**Civil action is a court proceeding to protect the Agency’s financial interests. A civil action does not include bankruptcy and similar proceedings to impound and distribute the bankrupt’s assets to creditors, or probate or similar proceedings to settle and distribute estates of incompetents or decedents, and pay claims of creditors.**

**Collateral**

Collateral is property pledged as security for a loan to ensure repayment of an obligation.

## 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 <http://intranet.fsa.usda.gov/dam/ffasforms/forms.html>, CLICK "Find Current Forms Using Our Form Number Search", in Form Number block, type, "4-FLP Exhibit 20", and CLICK "Submit".

4-FLP, Exhibit 20

(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 changes 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.).

[Insert mediation, reconsideration, and appeal rights from 1-APP unless borrower requested the change under subparagraph 32B.]

Sincerely,

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