UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

Direct Loan Servicing – Special and Inventory Property Management 5-FLP	Amendment 15

Approved by: Deputy Administrator, Farm Loan Programs

Chris P. Beyerhelm

Amendment Transmittal

Subparagraph 226 A has been amended to provide guidance for credit action approval after SED has approved servicing action that results in debt forgiveness.

Subparagraph 341 C has been added to provide guidance on considering shared appreciation amounts.

Subparagraph 344 A has been amended to provide instructions for tracking and monitoring shared appreciation amortizations within DLS.

Subparagraph 346 I has been amended to include instructions for completing shared appreciation amortization workflows within DLS.

Subparagraph 348 B has been amended to provide instructions for classifying shared appreciation amounts.

Subparagraphs 386 B and 387 B have been amended to remove certified mail requirements.

Subparagraph 406 A has been amended to correct an ADPS transaction identifier.

Subparagraph 781 C has been amended to include details about the advertisement and selling of inventory property to beginning and socially disadvantaged farmers and priority claimants.

Exhibit 2 has been amended to include a definition for certified mail.

Exhibit 15, subparagraph 2 A has been amended to correct a user guide reference.

Exhibit 30 has been amended to remove the certified mail requirement.

Exhibit 51 has been amended to clarify the dates that need to be recorded.

Amendment Transmittal (Continued)

Page Control Chart		
TC	**Text**	**Exhibit**
11	6-31 through 6-36 9-1, 9-2 9-7, 9-8 9-11 through 9-40 10-5, 10-6 11-9, 11-10 21-17, 21-18 21-18.5, 21-18.6 (add)	1, pages 3, 4 page 5 2, pages 5, 6 pages 19, 20 15, pages 3, 4 30, page 1 51, pages 1, 2 page 3

Exhibits (Continued)

50	Notice of Intent to Foreclose on Your Property Serving as Security for the United States of America and Acceleration of Your Loan Accounts
51	Notice of Acceleration of Your Debt to the Farm Service Agency Based on Confirmed Bankruptcy Plan With Discharge and Demand for Payment of That Debt
52	Notice of Acceleration for FLP Accounts Held by American Indian Borrowers and Secured by Real Estate Located Within a Recognized Reservation and Borrower Rights
53	Notification of Options Available to the Tribe
54	Information on American Indian Borrower Rights Under the Consolidated Farm and Rural Development Act
55	Notification to a Tribe of an American Indian Borrower's Request to Have a Loan Assigned to the Tribe (With Example Information)
56	Notification to an American Indian Borrower of Acceptance of an Assignment Request
57	Notification to an American Indian Borrower of Denial of an Assignment Request
58, 59	(Reserved)
60	Worksheet for Determining Farm Loan Programs Maximum Bid on Real Estate Property
61-64	(Reserved)
65	Notification of Personal Property
66	Notification of Transmittal to the Internal Revenue Service (IRS)
67-69	(Reserved)
70	Notice of Sale
71	Notification to Tribe of Availability of Farm Property for Purchase
72, 73	(Reserved)
74	Conservation Easement for Wetlands
75	Conservation Easement for Floodplains
76, 77	(Reserved)
78	Notice of Special Flood, Mudslide, or Earthquake Hazard Area
79	Guide for Calculating the Proportionate Share of Market Value/Proceeds From Joint Mortgages
80	ADPS 3E Transaction Guide

Section 2 FSA's Decision

226 Approval Authority

A Approval Authority for Servicing Actions

Any authorized agency official has the authority to approve primary loan servicing options, except for those involving any write-down or a buyout that would result in debt forgiveness. SED's must approve all servicing actions that result in debt forgiveness under this part.

--Note:** Once SED approval has been obtained, the authorized agency official may approve the credit action in FBP and complete the loan servicing action.**--

227, 228 (Reserved)

Part 9 Servicing Shared Appreciation Agreements and NRBRA's

Section 1 Servicing Shared Appreciation Agreements

341 Monitoring Shared Appreciation Agreements

A FLOO Reports

FLOO sends a monthly report to the County Office listing:

- shared appreciation agreements that will soon be maturing
- past due amounts owed by borrowers on shared appreciation agreements that have been triggered or have matured.

B Borrower Reminder of Shared Appreciation Agreement

The authorized agency official will send Exhibit 25 to all borrowers who executed a shared appreciation agreement as a reminder of shared appreciation agreement requirements. This letter will be sent in the fourth quarter of every FY during the term of the shared appreciation agreement, starting 1 year after the shared appreciation agreement is signed.

*--C Consideration of Shared Appreciation Amounts

FSA considers the amount of shared appreciation as a contingent liability of the borrower until it is determined whether there is any shared appreciation due and payable according to paragraph 342.

FSA includes shared appreciation amounts that are due and payable or amortized as part of the borrower's total FSA debt.**--***

342 Triggering Shared Appreciation Agreements

A When Shared Appreciation Agreement Is Due

[7 CFR 766.201(b)] The borrower must repay the calculated amount of shared appreciation after a term of 5 years from the date of the writedown, or earlier if:

Shared appreciation agreements signed before August 18, 2000, continue to mature after 10 years.

[7 CFR 766.201(b)] (1) The borrower sells or conveys all or a portion of the Agency's real estate security, unless real estate is conveyed upon the death of a borrower to a spouse who will continue farming;

[7 CFR 766.201(b)] (2) The borrower repays or satisfies all FLP loans;

[7 CFR 766.201(b)] (3) The borrower ceases farming; or

[7 CFR 766.201(b)] (4) The Agency accelerates the borrower's loans.

344 Notifying Borrower That Shared Appreciation Is Due

A FSA Review of Expiring Shared Appreciation Agreements

To allow for appraisals and consideration of capital improvements, the authorized agency official will begin determination of the shared appreciation agreement recapture amount due approximately 6 months before the maturity of the shared appreciation agreement. The authorized agency official will contact the borrower with FSA-2544 to determine whether any improvements have been made that meet the required criteria. If there is any shared appreciation due according to paragraph 343, the borrower will be notified according to subparagraph B. If no shared appreciation agreement recapture is due, FLM or SFLO will wait until the shared appreciation agreement has matured and complete the actions in subparagraph 343 E.

--**Use DLS SI "Other Shared Appreciation (SA) Amortization" workflow to track and monitor shared appreciation application to completion.**--

B Borrower Notification of Shared Appreciation Due

The authorized agency official will notify the borrower of any shared appreciation agreement recapture due at least 60 calendar days before the maturity date of the agreement or if any of the events described in paragraph 342 occur by use of FSA-2545. This notification will include:

- the amount of the shared appreciation agreement recapture due
- the date the shared appreciation agreement recapture is due, which is the latter of the maturity of the shared appreciation agreement or 30 calendar days from the borrower's receipt of the letter
- how FSA calculates the amount due
- the borrower's options for repaying the shared appreciation amount, including:
    - FSA's offer to consider amortization of the amount due as NP if the borrower cannot pay the amount due
    - a list of items required for a complete application for amortization
    - the application due date
    - borrower's appeal rights.

After all appeal rights have been concluded, FSA will process a 3V ADPS transaction to establish the recapture due.

344 Notifying Borrower That Shared Appreciation Is Due (Continued)

C Complete Application for Shared Appreciation Amortization

The borrower has 60 calendar days from the date of FSA-2545 to submit a complete application to amortize the shared appreciation amount according to paragraph 346. If the application is submitted while the borrower is disputing the recapture amount, the final decision on the application will not be made until all dispute resolution options are concluded.

For the application for shared appreciation amortization to be complete, the borrower must submit:

- FSA-2001
- records showing the borrower's actual income, production, and expenses, including income tax returns and supporting documents for the most recent 3-year period
- verifications of debts and nonfarm income according to 3-FLP, subparagraph 42 A
- proper fee for a credit report
- any other items determined by the authorized agency official as necessary for completing FBP.

At 30 calendar days, the authorized agency official will notify the borrower the following 1 time in writing:

- of all required items that the borrower has not submitted
- the final due date by which the borrower must submit all items
- that no further reminders will be sent and that the borrower will be in default if the amount is not paid or amortized.

D Borrower Does Not Pay Shared Appreciation Due

The borrower is in nonmonetary default if the amount is not paid or amortized by the due date. The borrower will be notified according to Part 3 after all dispute resolution is concluded. Servicing will continue to liquidation if the recapture is not paid or amortized.

346 Amortizing Shared Appreciation (Continued)

D Amortized Loan Interest Rate

[7 CFR 766.205(a)] The interest rate for Shared Appreciation Payment Agreements is the Agency's SA amortization rate.

E Amortized Loan Security

The Shared Appreciation Payment Agreement must retain the same security position of the original notes identified in the shared appreciation agreement. SED will issue a State supplement on maintaining FSA's lien position. The authorized agency official will take the best obtainable lien on all assets according to subparagraph 211 A. The Shared Appreciation Payment Agreement does not have to be fully secured if the borrower meets all requirements in subparagraph A and the borrower provides the best lien obtainable on all assets.

The authorized agency official will close the Shared Appreciation Payment Agreement at the interest rate in effect at the time of approval and according to the requirements listed in *****--subparagraphs F through I and 3-FLP, Part 16.--*****

F Amortized Loan Processing

The authorized agency official will mark the shared appreciation agreement "Amortized," attach it to the new FSA-2026, and file the original promissory note and its copies according to 25-AS. The copies of the new FSA-2026 and shared appreciation agreement will be filed in position 2 of the borrower case file.

If a Shared Appreciation Payment Agreement becomes due because of a partial sale of security and shared appreciation agreement has not yet matured, the authorized agency official will attach a copy of the shared appreciation agreement to the new FSA-2026.

The authorized agency official will process a 3O ADPS transaction to record the Shared Appreciation Payment Agreement.

346 Amortizing Shared Appreciation (Continued)

G Amortized Loan Approval

The authorized agency official will use FSA-2025 to notify the borrower of approval of shared appreciation agreement amortization. FSA-2026, with all covenants relating to graduation, credit elsewhere, restrictions on leasing, and FLP operating requirements removed, will be used as the loan agreement.

H Amortized Loan Application Denied

If amortization cannot be approved, the authorized agency official will deny the application to amortize the shared appreciation amount and servicing will continue according to Part 3 as the borrower is in nonmonetary default.

I Servicing SA

[7 CFR 766.204(b)] If the borrower later becomes delinquent or financially distressed, reamortization of the Shared Appreciation Payment Agreement can be considered under subpart C (Part 3) **of this part.**

If the borrower has other program loans, the Shared Appreciation Payment Agreement will be considered as a part of the overall restructure process, but can only be reamortized.

Borrowers who do not have any program loans will be notified according to subparagraph 67 A.

Shared Appreciation Payment Agreements cannot be consolidated, deferred, or written down.

--**The DLS SI "Other Shared Appreciation (SA)" workflow shall be completed upon satisfaction of the SA amortization loan.**--

347 (Reserved)

348 Additional Servicing of Shared Appreciation Agreements

A Subordination of Shared Appreciation Agreement

FSA may subordinate its lien on real property securing the shared appreciation agreement only if the borrower's debt to prior lienholders will not increase during the term of the shared appreciation agreement. The borrower must meet the requirements for subordinations described in 4-FLP, Part 6. If the shared appreciation agreement recapture is also secured by chattels, the chattel security may be subordinated according to 4-FLP, paragraph 118.

*** * ***

B Assumption of Shared Appreciation Amount

A transferee may assume the shared appreciation payment agreement or unamortized shared appreciation agreement recapture on program or NP terms based on eligibility and loan limitations.

349-360 (Reserved)

386 Notifying Borrower of Unauthorized Assistance

A General Policy

When FSA has fully documented a borrower's receipt of unauthorized assistance, the borrower will be notified.

B Notifying Borrowers Who Received Unauthorized Assistance Because of Inaccurate Information or FSA Error

The authorized agency official will notify the borrower of the initial unauthorized assistance determination with Exhibit 30. *** * *** The letter will address the type of unauthorized assistance, and the amount calculated according to paragraph 385 that could be paid to correct the unauthorized assistance. *** * *** FSA will *** * *** consider the borrower notified of unauthorized assistance 3 calendar days after the letter is sent *** * ***.

If the unauthorized assistance meeting cannot be held or corrective action taken within 30 calendar days, the account will be in nonmonetary default and the borrower will be notified according to Part 3.

C Notifying Borrowers Who Received Unauthorized Assistance Identified by an OIG Audit

If the unauthorized assistance is identified by an OIG audit, the authorized agency official will notify the borrower according to 9-AO.

D Notifying Borrowers Who Received Unauthorized Assistance Because of False Information

If the unauthorized assistance is because of false information, the authorized agency official will notify the borrower according to OIG or SED instructions.

387 Recovering Unauthorized Assistance

A Meeting With the Borrower

At the meeting, the reason for the assistance being unauthorized will be explained to the borrower and options for correcting the unauthorized assistance will be discussed.

The borrower has 15 calendar days to provide evidence that refutes FSA's determination.

B Final Notification

Once all meetings are concluded, the proposed corrective action will be sent to the approval official designated in paragraph 381 for consideration. The approval official will make any changes necessary to the plan and return it to the authorized agency official. The borrower will be informed of the final outcome with Exhibit 31. *** * *** FSA will *** * ***consider the borrower notified of unauthorized assistance 3 calendar days after the letter is sent *** * ***.

The borrower must respond within 30 calendar days of the date of receipt of the letter and be prepared to complete the corrective action within 90 calendar days from the date of receipt. If the unauthorized assistance corrective action is not completed, the account will be in nonmonetary default and the borrower will be notified according to Part 3.

406 Servicing Chapter 11, 12, and 13 Cases After the Bankruptcy Case Is Closed

A Removing the "SAA" Flag and Writing Off Discharged Debt

Upon receipt of the discharge order from the Bankruptcy Court, the authorized agency official will review the borrower records to determine whether FSA will cancel any discharged debt.

If all liable parties are discharged and the bankruptcy is closed, the authorized agency official will debt settle the remaining discharged debt according to RD Instruction 1956-B, section 1956.70(b)(3).

The State Office will forward the approved RD 1956-1, with a copy of the discharge, to FLOO for processing the debt cancellation.

FLOO will remove the "SAA" flag and process the necessary transactions to write off any portion of the debt.

If some, but not all liable parties were discharged of the debt, the account cannot be debt settled and SED should be consulted before initiating servicing options. The account will be *--classified as "CO" (Exhibit 11) with an ADPS transaction 5B, if no security remains. The--* State Office will seek the advice of the regional OGC to pursue separate collection actions against nondischarged liable parties and any remaining security.

B Returning to Regular Servicing

After the bankruptcy case is closed, the authorized agency official will service bankruptcy loans according to 4-FLP, subject to the confirmed reorganization plan.

C Servicing if the Borrower Defaults on the Confirmed Reorganization Plan

If a borrower becomes 90 calendar days past due or is in nonmonetary default after the court issued a discharge order and after the case is closed under Chapter 11, 12, or 13 of the Bankruptcy Code, the authorized agency official will notify the borrower of loan servicing options according to Part 3, unless servicing actions would be inconsistent with the confirmed bankruptcy plan or the Bankruptcy Code or FSA has referred the account to DOJ.

If the account is in nonmonetary default, OGC concurrence will be obtained before acceleration.

407 Liquidation During Bankruptcy

A Automatic Stay Requirements

FSA must receive relief from the automatic stay from the Court before liquidating the borrower's security. If the Court allows, and all servicing requirements are met, FSA may liquidate the security before the discharge of debt or as otherwise addressed by OGC.

407 Liquidation During Bankruptcy (Continued)

B Chapter 7 Cases After Discharge

In Chapter 7 cases after discharge, FSA will liquidate the account as authorized by OGC if both of the following are true:

- the borrower has not reaffirmed the debt
- an Abandonment Order for the FSA security has been issued by the court or the bankruptcy case is closed.

In cases when 1 or more borrowers have received a discharge, but at least 1 borrower remains liable:

- DLS must be updated with either a 4A or 4D transaction to list the account in the name of any remaining liable debtors
- related entity status of the discharged individuals or entities should be updated in the *--DLS Customer Profile Related Entity function to reflect they are no longer a--* co-borrower/co-signer/guarantor
- the Chapter 7 discharge order must be maintained in the casefile
- in community property States, the State Office will seek the advice of the regional OGC to pursue separate collection action against nondischarged borrowers who are the spouse of a discharged borrower.

Note: If the debt is not paid in full and RD-1956-1 is needed, only the individual or entity receiving the Chapter 7 discharge will be listed on RD-1956-1. Notate "Chapter 7 Discharge" after their name and attach a copy of the discharge order.

C Canceling the Debt When All Liable Parties Are Discharged

If all liable parties are discharged and the FSA security is liquidated, FSA may cancel the debt according to RD Instruction 1956-B.

D Notifying Borrower if Servicing Options Are Remaining

If the authorized agency official did not previously notify the borrower's attorney or borrower of any servicing options before or during the course of the bankruptcy proceedings, FSA will send the notices according to subparagraph 401 C before liquidating any security property.

E When FSA Previously Notified the Borrower of Servicing Options

If the authorized agency official previously notified the borrower's attorney or borrower of the remaining servicing options and none remain, FSA will accelerate the account and liquidate according to Part 16 and any instructions from OGC.

Note: The borrower may **not** appeal the acceleration.

781 Advertising Property

A Authority

When FSA sells property in a manner that requires FSA to advertise the property, the authorized agency official is responsible for ensuring adequate advertising to achieve a timely sale.

B General Requirements

The authorized agency official must ensure that all advertising meets these general requirements.

- The advertisement must describe the property being sold. Real property must have a legal description unless a lengthy legal description is cost prohibitive. Then a general legal description will suffice provided purchasers can understand where the property is located. The advertisement shall then disclose that the actual legal description is available.

- The advertisement must be in a least 2 newspapers or other appropriate publications that are widely circulated in the area where the potential purchasers will reside.

- The advertisement must run at least once per week for 2 successive weeks.

- The advertisement for real property must describe any use restrictions or easements on the property.

- The advertisement must include a statement that the property is being sold “as is.”

- The advertisement must state that the Government reserves the right to cancel the sale at any time during the sale process and also reserves the right to reject any or all applications or bids.

- The advertisement may list the market value of the property or a minimum acceptable price.

- The advertisement shall indicate whether FSA financing is available to purchase the property. The advertisement will also indicate where to obtain an application or submit a bid, how to receive more information, and the deadline for submitting applications or bids.

781 Advertising Property (Continued)

B General Requirements (Continued)

The authorized agency official must use other appropriate forms of advertising to maximize publicity, including posting Exhibit 70. The authorized agency official posts these advertisements in the local Field Office, adjoining Field Offices, the Farms for Sale Web Site, and other appropriate locations as necessary to ensure that the sale receives adequate exposure to the market.

*--C Advertising and Selling to Beginning and Socially Disadvantaged Farmers

All inventory property will continue to be advertised for sale to beginning and socially disadvantaged farmers unless it meets the criteria identified in subparagraph 776 A. Advertising must meet the general advertising requirements in subparagraph B and additionally must state:

- that beginning farmers or socially disadvantaged farmers may lease the property for up to 18 months if FSA loan funds are not available at the time of the scheduled sale
- that the lease of property may be subject to environmental use restrictions
- where to obtain an application, how to receive more information, and the deadline for submitting applications
- the market value of the property.

Any prevailing claimant from the *Pigford I* Consent Decree process may exercise their one-time right to priority consideration in response to the advertisement, provided the *Pigford I* Consent Decree process is complete, and the written notice of the request is timely. The right to priority consideration must be exercised no later than April 14, 2005, or 2 years after the date the prevailing *Pigford I* claimant's claim receives a final decision in the Consent Decree claims process.

The initial paragraph in the advertisement must state the following:

> "The property is being offered for sale to those individuals whom the Farm Service Agency (FSA) considers qualified beginning and/or socially disadvantaged farmers or ranchers, and prevailing claimants in the civil action *Pigford vs. Vilsack*. Prevailing claimants who have not already used their right to their one-time priority consideration and who are qualified beginning and/or socially disadvantaged farmers or ranchers will be given first priority consideration in the purchase of this property. If more than one beginning and/or socially disadvantaged farmer or rancher or more than one of a combination of both who are prevailing *Pigford* I claimants exercising their one-time right to priority consideration submit an application, priority within this group will be determined by lottery. Qualified beginning and socially disadvantaged farmers or ranchers must be in need of FSA credit assistance either in the form of direct FSA financing or an FSA guaranteed loan. For other requirements and information on how to qualify as a beginning and/or socially disadvantaged farmer or rancher, you may contact your local FSA office."**--***

781 Advertising Property (Continued)

*--C Advertising and Selling to Beginning and Socially Disadvantaged Farmers (Continued)

Prevailing claimants from the *Pigford I* Consent Decree process seeking priority consideration must submit written notice of the request to FSA. In addition, a prevailing *Pigford I* claimant must either submit an actual application for inventory property or for a loan at the time of the request for priority consideration or must have an application for inventory property or for a loan already pending with FSA.

If applications are received from beginning and/or socially disadvantaged farmers who are not prevailing *Pigford I* claimants, and prevailing *Pigford I* claimants who are not beginning and/or socially disadvantaged farmers, priority remains with the beginning and/or socially disadvantaged farmers.

If, in response to the advertisement in this paragraph, an application is received only from a prevailing *Pigford I* claimant who is **not** a beginning and/or socially disadvantaged farmer, the property shall be offered to the applicant at the appraised market value before the inventory property is put up for public bid.

In summary, priority consideration will be in the following order:

- prevailing *Pigford I* claimants who are beginning and/or socially disadvantaged farmers
- beginning farmers and/or socially disadvantaged farmers
- prevailing *Pigford I* claimants who are not beginning and/or socially disadvantaged farmers.**--***

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

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2523	Denial of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116, 229, 322
FSA-2524	Borrower Response to Denial of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116, 229, 322
FSA-2525	Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Did Not Apply for Servicing or Did Not Accept Servicing		85
FSA-2526	Borrower Response to and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Did Not Apply for Servicing or Did Not Accept Servicing		85
FSA-2529	Negotiated Appraisal Agreement		230
FSA-2535	Conservation Contract		Text
FSA-2537	Notification of Consideration for Homestead Protection		281
FSA-2538	Response to Notification of Consideration for Homestead Protection for Borrowers Who Received FSA-2537		281
FSA-2539	Homestead Protection Program Agreement		283, 284
FSA-2540	Notice of the Availability of Homestead Protection – Post Acquisition		281, 568
FSA-2543	Shared Appreciation Agreement		Text
FSA-2544	Shared Appreciation Agreement Recapture Appraisal Notice		343, 344
FSA-2545	Borrower Notification of Shared Appreciation		344
FSA-2547	Shared Appreciation Agreement Recapture Reamortization		67
FSA-2548	Shared Appreciation Agreement Recapture Reamortization 2nd Notice		67
FSA-2550	Report of Problem Case		421, 533
FSA-2551	Evidence of Conversion, Fraud, or Waste		66, 421
FSA-2560	Request for Statement of Account		536

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

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2561	Statement of Account		536
FSA-2562	Borrower Account Description Flag		67, 248, 401, 421, 534, 567
FSA-2570	Offer to Convey Security		284, 496, 497, 499, 500, 516, 517
FSA-2571	Agreement for Voluntary Liquidation of Chattel Security		464, 465, 516, 518, 581
FSA-2572	Agreement of Secured Parties to Sale of Security Property		581
FSA-2574	Confirmation Reorganization Plan Worksheet		404, 406
FSA-2576	Notice of Judgment		567, 568, 582, 604
FSA-2580	Primary and Preservation Loan Servicing Checklist		67, 533
FSA-2581	Inequitable Treatment Review Data		533
FSA-2585	Acquisition or Abandonment of Secured Property		708, Ex. 66
FSA-2587	Advice of Property Acquired		568, 743
FSA-2588	Acquired Property Maintenance		568
FSA-2591	Lease of Real Property		281, 284, 568, 743
FSA-2592	Invitation, Bid and Acceptance Sale of Real Property by the United States		776, 778, 782
FSA-2593	Standard Sales Contract Sale of Real Property by the United States		778
FSA-2594	Advice of Inventory Property Sold		778
FSA-2595	Quitclaim Deed		778
FSA-2596	Bill of Sale “A” (Sale of Government Property)		780
FSA-2597	Farmer Programs Noncash Credit for Purchase of Easement Rights		197
NRCS-CPA-026	Highly Erodible Land and Wetland Conservation Determination		81
RD 1956-1	Application for Settlement of Indebtedness		82, 406, 407, 496, 497, 516, 517, 581, Ex. 15

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

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
51-S	5-FLP Special Loan Servicing Pending	67, 401, Ex. 11
ACL	Accelerated	534, Ex. 11
BAP	Bankruptcy Action Pending	401, Ex. 11, 15
CAP	Court Action Pending	421, Ex. 11, 15
CL	Conservation Loan	41, 131, 145, Ex. 2, 17
CO	Collection Only	406, Ex. 11
CNC	currently not collectible	126, 433, Ex. 16
CONACT	Consolidated Farm and Rural Development Act	1, 193, 537, Ex. 2
DEF	Deferral	248, Ex. 11
DMS	Debt Management Services	Ex. 16
eDALR$	electronic Debt and Loan Restructuring System	Text, Ex. 17
FAP	Foreclosure Action Pending	567, Ex. 11, 15
FLMAC	Farm Land Market Advisory Committee	Ex. 17
HML	high, medium, low	901
ISA	installment Set-Aside	46, 48, 131
ITLAP	Indian Tribal Land Acquisition Program	2, 537
LR	limited resource	132, 146
NP	nonprogram loan	Text
NRBRA	Net Recovery Buyout Recapture Agreement	321, 361, 363, 365
NRV	net recovery value	102, 321
OAC	Office of Adjudication and Compliance	Ex. 15, 16
PCA	private collection agency	Ex. 16
PRG	Program Reporting Group	433, Ex. 11, 15, 16
RH	rural housing	Ex. 79
SA	shared appreciation loan	66, 67, 102, 145, 146, 191, 346
SAA	subject to approved adjustment	172, 249, 343, 404, 406, Ex. 11, 15
SCRRG	State Civil Rights Review Group	533
SEC	State Environmental Coordinator	802, 821, 837, 839
SI	Security Instrument	344, 346
SOL	Statute of Limitations	126, 127
ST	softwood timber loan	41
TIN	taxpayer identification number	Ex. 16
TPJ	third party judgment	421, Ex. 11, 15
YL	youth loan	41, 42, 68, 132

Redelegations of Authority

None.

Definitions of Terms Used in This Handbook (Continued)

***--Certified Mail**

Certified mail is 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, if feasible, by 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 delivery 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.**--***

Chapter 7

A Chapter 7 bankruptcy involves liquidation of the debtor's assets. The proceeds from liquidation are applied to the court-allowed debt.

Chapter 11

A Chapter 11 bankruptcy is a business reorganization form of bankruptcy. The debtor has an exclusive right to file a reorganization plan within 120 calendar days after filing for bankruptcy. After the 120-calendar-day period, the debtor loses the exclusive right to file a reorganization plan, and others may file a plan. This chapter is generally discharged at closing. The plan does not have to be concluded within a specific timeframe.

Chapter 12

A Chapter 12 bankruptcy provides special debt repayment relief for family farmers and family fishermen. This chapter is targeted to family farmers with 50 percent of gross income from farming. The farmer's debt must not exceed $3.237 million and 80 percent of the farmer's debts must originate from farming. The debtor must file a plan within 90 calendar days after the First Meeting of Creditors. The court determines the point of discharge (usually at the end of the third or fifth year). The reorganization plans must be paid out in 5 years.

Chapter 13

A Chapter 13 bankruptcy involves reorganization for wage-earners. The debtor must have regular income. A portion of that income will be set aside for distribution to creditors by the Trustee. The plan is generally filed at time of petition and must be paid out in 5 years. The court determines the point of discharge, which is usually at the end of the third or fifth year.

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.

Definitions of Terms Used in This Handbook (Continued)

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.

Civil action may include obtaining possession of property from borrowers or third parties, judgments on indebtedness evidenced by notes or other contracts or judgments for the value of converted property, or judicial foreclosure.

Closed

Closed usually refers to when the bankruptcy plan has been paid in full, the security has been fully accounted for or remanded back to the creditor and proceeds distributed according to the bankruptcy. However, the bankruptcy is not closed until the bankruptcy judge closes the case with an order. Normally, collection activities or attempts to sell or gain possession of security cannot resume until the bankruptcy is closed.

Closing Agent

Closing agent is the attorney or title insurance company selected by the applicant and approved by the Agency to provide closing services for the proposed loan or servicing action. Unless a title insurance company provides loan closing services, the term "title company" does not include "title insurance company."

Coastal Barrier

Coastal barrier is an area of land identified as part of the national Coastal Barrier Resources System under the Coastal Barrier Resources Act of 1980.

Collateral

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

Compromise

Compromise is the settlement of an Agency debt or claim by a lump-sum payment of less than the total amount owed in satisfaction of the debt or claim.

Definitions of Terms Used in This Handbook (Continued)

Modification

A modification is a proposed change in the structure of the bankruptcy plan. The Court generally handles any requests for modifications.

Mortgage

Mortgage is a legal instrument giving the lender a security interest or lien on real or personal property of any kind. The term "mortgage" also includes the terms "deed of trust" and "security agreement."

Negligent Servicing

Negligent servicing is servicing that fails to include those actions that are considered normal industry standards of loan management or comply with the lender's agreement or the guarantee. Negligent servicing includes failure to act or failure to act in a timely manner consistent with actions of a reasonable lender in loan making, servicing, and collection.

Negotiated Sale

Negotiated sale is a sale in which there is a bargaining of price or terms, or both.

Net Recovery Buyout Recapture Agreement

A net recovery buyout recapture agreement is an agreement that requires a borrower who bought out a loan at the net recovery value of the security to pay the Agency any appreciation if the borrower sells or otherwise disposes of the security during the 10 years following the buyout.

Definitions of Terms Used in This Handbook (Continued)

Net Recovery Value

<u>Net recovery value of Agency security</u> is the market value of the security property, assuming that the lender in the case of a guaranteed loan, or the Agency in the case of a direct loan, will acquire the property and sell it for its highest and best use, less the lender's or the Agency's costs of property acquisition, retention, maintenance, and liquidation.

<u>Net recovery value of non-essential assets</u> is the appraised market value of the non-essential assets less any prior liens and any selling costs that may include such items as taxes due, commissions, and advertising costs. However, no deduction is made for maintenance of the property while in inventory.

Non-Essential Assets

<u>Non-essential assets</u> are assets in which the borrower has an ownership interest, that:

(1) Do not contribute to either of the following:

(i) Income to pay essential family living expenses, or

(ii) The farming operation; and

(2) Are not exempt from judgment creditors or in a bankruptcy action.

Nonmonetary Default

--**A borrower is in <u>nonmonetary default</u> when it is determined that the borrower has not acted in good faith, commits an act of fraud, waste or conversion, or fails to meet loan agreement requirements for reasons other than being delinquent.**--

Non-Program (Assistance) Loan

<u>Non-program loan</u> is a loan on terms more stringent than terms for a program loan that is an extension of credit for the convenience of the Agency, because the applicant does not qualify for program assistance or the property to be financed is not suited for program purposes. Such loans are made or continued only when it is in the best interest of the Agency.

Quarterly Screening Process for TOP (Continued)

2 TOP Screens and Process

A Co-borrower Selection and Changes

Co-borrower information for TOP is selected from the DLS Customer Profile. In DLS, co-borrowers are considered related entities. To link, view, update, and unlink related entities through the loan making process, follow the procedure in the DLS Loan Making User's Guide, Part 3, Sections I through L. To view, create, and update related entity information through the loan servicing process, follow the procedure in the DLS Loan ***--**Servicing User's Guide, Section 4.2.3.1.**--***

Both guides may be found on the FLP Systems web page located at **https://arcticocean.sc.egov.usda.gov/flp/IndexServlet**.

B TOP Offset Online Screen Information

The Borrowers Eligible for TOP Offset Screen and Borrowers Eligible for TOP Offset Certified Screen will be displayed with borrower and co-borrower information as follows.

Field/Line	Information
ST CTY TIN	Primary borrower's case number.
TIN	TIN for the primary borrower or co-borrower.
CO	Co-borrower's permanent alphabet letter (A-Z) or number (1-9) as a unique identifier. **Note:** It is **critical** that all co-borrowers names, addresses, and TIN's be updated in SCIMS on an ongoing basis. The co-borrower/related entity status must be updated in the DLS Customer Profile.
Case Number (Located under "Name" column.)	The borrower's name will be displayed, if there are no co-borrowers selected or if both borrower and co-borrower are selected. The co-borrower's name will be displayed, if only the co-borrower is selected. **Note:** For each co-borrower loan selected, the co-borrower's name will be displayed between the TIN and the loan number.
FLG (Located over "Delete Date" column.)	"F" will be displayed, if the account has a "FAP" flag.

***--Quarterly Screening Process for TOP (Continued)**

2 TOP Screens and Process (Continued)

C Debtors Displayed on Borrowers Eligible for TOP Offset Screens

The weekly RC 540 and its parts will be used on an ongoing basis to select and update delinquent loans eligible for offset. The TOP Selection process is usually run the last 2 weeks of the quarter. The screens will be made available to State and County Offices according to the schedule in paragraph 5.

The screens will be displayed with all delinquent loans for:

- borrowers/co-borrowers who are **not** at TOP and fall into 1 or more of the following categories:
  - 90 calendar days past due
  - at least $25 delinquent
  - **not** flagged "BAP"
  - **not** a boll weevil loan
  - **not** flagged "SAA"

  Note: Loans listed will include Apple loans, Bureau of Reclamation loans, and debts classified CNC.

- debtors/co-debtors who have:
  - employee defalcations
  - judgments **not** currently certified
  - delinquent equity receivables or loan suspensions
  - delinquent leases
  - TPJ's, both borrower and third parties, if they are in SCIMS and linked as related entities in the DLS Customer Profile
  - filed bankruptcy, but have not been flagged "BAP".**--***

Initial Letter to Borrowers Who Received Unauthorized Assistance

*--

5-FLP, Exhibit 30

This Exhibit may only be revised by SED.

(Use Agency Letterhead format with local return address.)

INITIAL LETTER TO BORROWERS WHO RECEIVED UNAUTHORIZED ASSISTANCE

(For audit cases, show)
Audit Report Number. _____
Audit Finding Number _____

(Borrower's Name and Address)

Dear

(1) The Farm Service Agency (FSA) has determined that you have received unauthorized financial assistance in the form of a (loan or interest subsidy). To correct this error, you need to repay FSA $ _____.

(2) FSA has determined that the loan servicing you received, was unauthorized. Your account is in default. The total amount of your loan balance of $ _____ will become due and payable unless the error is corrected.

[Choose (1) or (2) above as applicable]

[Insert a paragraph, specifically describing the unauthorized assistance, including the reason(s) as provided in 5-FLP, Part 10.]

We have scheduled an appointment at [time] on [date]for you to come into the office to discuss FSA's claim. If you believe that the assistance was authorized, you may provide documentation for FSA consideration. Possible servicing actions also will be discussed.

If you are unable to keep this appointment, please contact this office to change the appointment. It is urgent that you respond to this request. Failure to do so within 30 days will result in FSA initiating appropriate collection action.

Sincerely,

--*

Notice of Acceleration of Your Debt to the Farm Service Agency Based on Confirmed *--Bankruptcy Plan With Discharge and Demand for Payment of That Debt

This Exhibit may only be revised by SED with concurrence of OGC.

(Use Agency Letterhead format with local return address.)

CERTIFIED MAIL RETURN
RECEIPT REQUESTED
<Return Receipt Number>

[Date]

(Borrower)
(Co-Borrower)
(Address)
City, State Zip code

NOTICE OF ACCELERATION OF YOUR DEBT TO THE FARM SERVICE AGENCY BASED ON CONFIRMED BANKRUPTCY PLAN WITH DISCHARGE AND DEMAND FOR PAYMENT OF THAT DEBT

Dear

PLEASE TAKE NOTE that the entire indebtedness due under the Chapter _____ Plan confirmed on _____ in Bankruptcy Case No. _____ which evidences the loan(s) received by you from the United States of America, acting through the Farm Service Agency (FSA), United States Department of Agriculture is now declared immediately due and payable. The obligation set out in the confirmed Chapter _____ Plan is described as follows:

Date of Bankruptcy Plan Confirmation Order	Amount

The amount(s) set out in the confirmed Chapter _____ Plan is/are secured by real estate mortgage(s), deed(s) of trust, security agreements(s), financing statement(s), etc. described (perfected) as follows:

Security Instrument	Date	Recording Office	Recording Information

The acceleration of your indebtedness is made in accordance with the authority granted in the above-described instrument(s). Although, this is not an acceleration of your debt owed to the FSA prior to confirmation of the Chapter _____ Plan, it is fully effective to accelerate the debt as set out in the Chapter _____ Plan.

--*

Notice of Acceleration of Your Debt to the Farm Service Agency Based on Confirmed *--Bankruptcy Plan With Discharge and Demand for Payment of That Debt (Continued)

The reason(s) for the acceleration of your indebtedness is(are) as follows:

[If debt under the confirmed Chapter v# Plan is in monetary default, list this as one of the reasons. If the debt is not in monetary default, see 1955.15 (d) (2) (ii) of this subpart.]

The indebtedness due as a result of your Chapter _____ Plan is $_____ unpaid principal, and $_____ unpaid interest, as of _____ plus additional interest accruing at the rate of $_____ per day thereafter, plus any advances made by the United States for the protection of its security and interest accruing on any such advances. Unless full payment of your indebtedness is received, made by one of the methods described below, within 30 days from the date of this letter, the United States will foreclose the above described security instrument(s) and pursue any other available remedies.

Full payment may be made in any of the following ways:

(A) CASH

Payment should be made by cashier's check, certified check, or postal money order payable to the Farm Service Agency and delivered to FSA _____. If you submit to the United States any payment insufficient to pay the account in full or insufficient to comply with any arrangements agreed to between the Farm Service Agency and yourself, that payment WILL NOT CANCEL the effect of this notice. If such insufficient payments are received and credited to your account, no waiver of prejudice of any rights which the United States may have for breach of any promissory note or debt evidenced by your confirmed Chapter _____ Plan or covenant in the security instrument(s) will result and the Farm Service Agency may proceed as though no such payment had been made.

(B) TRANSFER AND ASSUMPTION

Subject to FSA approval, you may transfer the collateral for your debt to someone who is eligible for FSA assistance and is willing and able to assume the debt. Contact FSA at _____ immediately if you are interested in this.

(C) SALE

You may sell the collateral for your loan(s) for its fair market value and send the proceeds to FSA to or other creditors with liens prior to FSA's lien. Contact FSA immediately if you are interested in this.

--*

Notice of Acceleration of Your Debt to the Farm Service Agency Based on Confirmed *--Bankruptcy Plan With Discharge and Demand for Payment of That Debt (Continued)

*(D) VOLUNTARY CONVEYANCE

You may convey all of your collateral to the Government. Contact the FSA at _____ immediately if you are interested in this.

**(The above-described security instrument(s) provide(s) that the United States may foreclose without Court action by selling the property at public sale after _____. The Government intends to sell the property in this manner.

***If you have not been advised of your rights to request deferral of payments or other servicing options you should contact FSA at the above-mentioned address within 15 days of the receipt of this notice.

If you fail to comply with the requirements outlined in this notice within the next 30 days, the United States plans to proceed with foreclosure/liquidation.

YOU DO NOT HAVE ANY RIGHT TO APPEAL THIS DECISION TO ACCELERATE YOUR FSA DEBT(S) TO ANY OFFICIAL OF THE FARM SERVICE AGENCY.

UNITED STATES OF AMERICA

[name]
[title]
Farm Service Agency
United States Department of Agriculture

CC: FSA State Executive Director,
FSA Farm Loan Program Division,
FSA Farm Loan Manager,

*This will be included as an option only if it would be in the Government's financial interest to accept a voluntary conveyance offer.

**This paragraph will be omitted in States with judicial foreclosure or if it conflicts with State Law.

***This paragraph will be omitted when accelerating accounts for failure to graduate or accelerating accounts of non-program loan debtors.

--*