

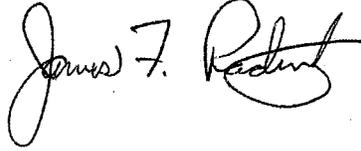
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

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

Amendment 35

Approved by: Acting Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 68 A has been amended to clarify requirement for PLS notification to YL borrowers.

Subparagraph 401 B and Exhibit 11 have been amended to update references from “51-S” to “PLS”.

Exhibit 48 has been amended to update reference from “FSA-2727” to “FSA-2717”.

Page Control Chart		
TC	Text	Exhibit
	3-5 through 3-30 11-1, 11-2	1, pages 5, 6 11, page 1 48, pages 1, 2

68 Other Loan Servicing Notification Requirements

A Notifying All Parties on a Note of Loan Servicing

For Primary Loan Servicing purposes, all parties who signed the promissory note are considered borrowers and are liable for all the debt.

When a borrower subject to loan servicing notification is:

- an entity comprised of 2 or more individuals, the authorized agency official will provide a loan servicing notification package to the entity and each party who signed the promissory note or pledged security for the loan
- a married couple at the same address, the authorized agency official will provide them 1 loan servicing notification package that is addressed to both parties
- a married or divorced couple at different addresses, the authorized agency official will provide a loan servicing notification package to each person at their own address.

Note: A divorced spouse who has left an operation may seek a release of liability. See paragraph 84 for more information on releasing divorced spouses from liability.

All required subsequent notifications are sent in the same manner.

--Third parties who pledged property as security will receive Exhibit 13. Borrowers with YL's will receive Exhibit 14 with the PLS notification to explain why they are being notified-- and their servicing options.

Note: Exhibits 13 and 14 are both available electronically on the FFAS Employee Forms/Publications Online Website located at <http://intranet.fsa.usda.gov/dam/ffasforms/forms.html>. Select Find Current Forms Using Our Form Number Search and enter "5-FLP Exhibit 13" or "5-FLP Exhibit 14" in the "Form Number" search field. CLICK "Submit".

B Internal Administrative Offset Notification

The authorized agency official will send an offset notification according to 7-FLP, Part 3.

C TOP Referral

Delinquent loans will be referred to TOP according to 7-FLP, Part 4.

69-80 (Reserved)

Part 11 Bankruptcies and Civil and Criminal Cases**Section 1 Bankruptcy****401 FSA Actions When Borrower Files for Bankruptcy****A Suspending Loan Servicing**

If a borrower files bankruptcy, the authorized agency official will suspend all pending special servicing and collection actions, but will continue to monitor the account and conduct regular servicing to protect the interests of the Government.

B Flagging the Account

Upon notification that the borrower has filed bankruptcy, the authorized agency official will flag the account as “BAP” by using FSA-2562 and processing a 5G transaction. The “BAP” flag will remain on the account until 1 of the following occurs:

- bankruptcy is dismissed
- there is a confirmed plan and the case is closed
- the account is settled.

***--Note:** The “PLS” flag must be removed with a 5H transaction before a “BAP” flag can--* be established (Exhibit 11).

C Notifying the Borrower’s Attorney of Loan Servicing Options if Borrower Was Not Previously Notified

[7 CFR 766.301] If a borrower files for bankruptcy, the Agency will provide written notification to the borrower’s attorney with a copy to the borrower as follows:

(a) The Agency will provide notice of all loan servicing options available under Subpart C (Part 3) of this part, if the borrower has not been previously notified of these options.

Within 15 calendar days of receiving a notice of bankruptcy, the authorized agency official will send all borrowers and the borrowers’ attorney Exhibit 34, the appropriate notice, and the response form according to subparagraph 67 A. If the borrower does **not** have an attorney, the borrower only will receive the FSA forms.

401 FSA Actions When Borrower Files for Bankruptcy (Continued)**D Notifying the Borrower's Attorney of Servicing Options if the Borrower Was Previously Notified**

[7 CFR 766.301(b)] If the borrower received notice of all loan servicing options available under Subpart C (Part 3) of this part prior to the time of bankruptcy filing but all loan servicing was not completed, the Agency will provide notice of any remaining loan servicing options available.

If FSA notified the borrower of primary loan servicing before the borrower filed for bankruptcy and some servicing options are still available, the authorized agency official will send Exhibit 34 and the appropriate servicing forms along with any required application forms to all borrowers and the borrowers' attorney (if the borrowers have no attorney, then all notifications and timeframes will apply to the borrowers only) explaining what options remain. Servicing and servicing timeframes suspended on the date the borrower files for bankruptcy resume on the date the attorney receives Exhibit 34. If no servicing options remain, send Exhibit 34 to inform the borrower and attorney that no primary loan servicing options remain.

--If the borrower or borrower's attorney does not request any remaining servicing options, or no servicing options remain, the authorized agency official will not take any further action-- to liquidate the account until the stay is lifted and they are notified by the State Office.

E Referring a Bankruptcy to the State Office

The authorized agency official will inform the State Office of any developments in the borrower's bankruptcy case, but will take no action against the security unless directed by SED.

SED should issue a State supplement describing what information is to be forwarded to the State Office in the event of a borrower filing bankruptcy. SED may issue additional State supplements as required to comply with State laws with regional OGC guidance/advice.

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

Forms (Continued)

Number	Title	Display Reference	Reference
IRS Form 1099-C	Cancellation of Debt		409
NRCS-CPA-026 NRCS-CPA-026E	Highly Erodible Land and Wetland Conservation Determination		81, 801
RD 1956-1	Application for Settlement of Indebtedness		Text

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
ACL	Accelerated	534, Ex. 11
BAP	Bankruptcy Action Pending	401, Ex. 11
CAP	Court Action Pending	421, Ex. 11
CL	Conservation Loan	41, 131, 145, Ex. 2, 17
CONACT	Consolidated Farm and Rural Development Act	1, 193, 537, Ex. 2
DEF	Deferral	248, Ex. 11
DLD	Direct Loan Division	Text, Ex. 80
eDALR\$	electronic Debt and Loan Restructuring System	Text, Ex. 17
FAP	Foreclosure Action Pending	567, Ex. 11
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
NFAOC	National Financial and Accounting Operations Center	Text, Ex. 11, 80
NP	nonprogram loan	Text
NRBRA	Net Recovery Buyout Recapture Agreement	321, 361, 363, 365
NRV	net recovery value	102, 321
PLS	primary loan servicing	68, 401, Ex. 11
PRD	Program Reporting Division	708
RH	rural housing	Ex. 79

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

Abbreviations Not Listed in 1-CM (Continued)

Approved Abbreviation	Term	Reference
SA	shared appreciation loan	66, 67, 102, 145, 146, 191, 346
SAA	shared appreciation agreement Note: When reference is made to a signed agreement as a condition of receiving debt writedown.	197, 249, 343, 344, 346, 403, Ex. 2, 4, 25, 26
SAA	subject to approved adjustment Note: When reference is made to the financial “flag”/designation for an account where FSA has approved a borrower’s debt settlement offer as documented on RD 1956-1.	172, 249, 343, 404, 406, Ex. 11
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
TPJ	third party judgment	421, Ex. 11
YL	youth loan	41, 42, 68, 132

Redelegations of Authority

None.

Account Description Flag and Code Reference

A General Information

This exhibit provides guidance on using account description flags and paragraph references for each flag.

B Agency Official Responsibilities

Agency officials shall review the RC 540 Report monthly to determine whether a servicing action is needed and if accounts are appropriately flagged or coded. Particular attention should be given to flagged accounts since the payment status cannot always be reported correctly for reasons such as payments being held in suspense or transactions not being processed.

C Establishing and Removing Flags

To establish an account flag, FSA-2562 will be completed and a 5G transaction will be processed in DLS through the Manage Flags function under Customer Management. To remove an account flag, FSA-2562 will be completed and a 5H transaction will be processed in DLS.

D Flag Priority and Reference Table

A maximum of 4 flags can be recorded in the accounting system for each borrower subject to certain limitations. However, only 3 flags will be reported on the RC 540 Report. Flags will be reported based on priority as indicated in this table.

Display Priority	Flag	Description	Reference
1	OAC1	Office of Adjudication and Compliance Accepted	1-FLP, Paragraph 41
2	CAP	Court Action Pending	Paragraph 421
3	TPJ	Third Party Judgment (NFAOC Only)	Paragraph 421
4	BAP	Bankruptcy Action Pending	Paragraph 401
5	*--PLS--*	Primary Loan Servicing	Paragraph 67
6	DSA	Debt Set-Aside	Historical Code
7	DEF	Deferral (FSA-2562 process in DLS)	Paragraph 248
8	FAP	Foreclosure Action Pending	Paragraph 567
9	SAA	Subject to Approved Adjustment (NFAOC Only)	Paragraph 404
10	OAC7	Office of Adjudication and Compliance Resolved	1-FLP, Paragraph 41
11	ACL	Accelerated	Paragraph 534

Notice of Acceleration of Farm Loan Programs Accounts That Are Unsecured

Note: Exhibit 48 is available in a fillable format at <http://intranet.fsa.usda.gov>. CLICK “FFAS Employee Forms/Publications Site” and CLICK “Find Current Forms Using Our Form Number Search”. For “Form Number”, ENTER “5-FLP Exhibit 48”.

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5-FLP, Exhibit 48						
This Exhibit may only be revised by SED with concurrence of OGC.						
(Use Agency Letterhead format with local return address.)						
NOTICE OF ACCELERATION OF FARM LOAN PROGRAMS ACCOUNTS THAT ARE UNSECURED						
CERTIFIED MAIL						
[Date]						
(Borrower) (Co-Borrower) (Address) City, State Zip code						
Subject: NOTICE OF ACCELERATION OF YOUR DEBT TO THE FARM SERVICE AGENCY AND DEMAND FOR PAYMENT OF THAT DEBT						
Dear :						
PLEASE NOTE that the entire indebtedness due on the promissory notes and/or assumption agreements which evidence the loans received by you from the United States of America, acting through the Farm Service Agency, United States Department of Agriculture is now declared immediately due and payable. They are described as follows:						
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 35%;">Debt Instrument</th> <th style="text-align: left; width: 35%;">Date of Instrument</th> <th style="text-align: left; width: 30%;">Original Amount</th> </tr> </thead> <tbody> <tr> <td style="height: 100px;"> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Debt Instrument	Date of Instrument	Original Amount			
Debt Instrument	Date of Instrument	Original Amount				
The promissory notes or assumption agreements are unsecured.						
This acceleration of your indebtedness is made in accordance with the authority granted in the above-described instruments.						
The reasons for the acceleration of your indebtedness are as follows:						
The indebtedness due 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 and any shared appreciation.						

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Notice of Acceleration of Farm Loan Programs Accounts That Are Unsecured (Continued)

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5-FLP, Exhibit 48

If your account is referred to the Department of Justice for other collection activity, such as a deficiency judgment or enforcing a judgment lien, attorney's fees may be added to your debt as well as a Department of Justice fee of 3 percent.

See attached FSA-2716 or FSA-2717 for your options.

YOU DO NOT HAVE ANY RIGHT TO APPEAL THIS DECISION TO ACCELERATE YOUR FSA DEBTS.

UNITED STATES OF AMERICA

BY: _____
District Director
Farm Service Agency
United States Department of Agriculture

Notice to Customers Presenting Checks

When you provide a check as payment, you authorize us either to use information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. For inquiries, please contact your local office.

Privacy Act – A privacy Act Statement required by 5.U.S.C. § 552a(e)(3) stating our authority for soliciting and collecting the information from your check, and explaining the purposes and routine uses which will be made of your check information, is available from our internet site at (<http://www.fms.treas.gov/otcnet/index.html>), or call toll free at (1-866-945-7920) to obtain a copy by mail. Furnishing the check information is voluntary, but a decision not to do so may require you to make payment by some other method.

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