

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency  
Washington, DC 20250

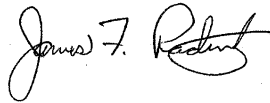
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**Direct Loan Servicing – Special  
and Inventory Property Management  
5-FLP**

**Amendment 39**

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



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**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 2 A has been amended to remove reference to RD Instruction 1940-G, add reference to 2-EQ, and change reference from 27-AS to 42-AS.

**Note:** RD Instruction 1940-G and 7 CFR 1940-G are obsolete.

Subparagraph 2 B has been amended to update the Helpful Links web site address.

Subparagraph 4 B has been amended to correct the e-mail address for requesting Administrator's Exception.

Subparagraphs 45 A and 102 B have been amended to provide a reference for operator definition in Exhibit 2.

Subparagraph 68 A has been amended to clarify when Exhibit 13 should be sent.

Subparagraphs 81 F, 211 C, and 803 A have been amended to change reference from 7 CFR part 1940-G to 7 CFR part 799.

Subparagraphs 82 A, 496 A, 497 A, 500 D, 516 A, 517 A, 520 B, and 581 B have been amended to change RD 1956-1 to FSA-2732.

Subparagraph 226 A has been amended to provide clarification for approving new loans along with PLS.

Subparagraphs 231 D, 405 A, and 777 B have been amended to replace "preservation loan servicing" with "homestead protection".

Subparagraph 249 E has been amended to provide clarification for completing FSA-2543.

## **Amendment Transmittal (Continued)**

### **A Reasons for Amendment (Continued)**

Subparagraph 284 B has been amended to provide reference to 2-EQ.

Subparagraph 321 D has been removed as NRBRA's no longer exist.

The title to Part 9, before paragraph 341, has been amended to delete reference to NRBRA's and to remove reference to a section 1.

Part 9, section 2, and paragraphs 361 through 365 has been withdrawn as NRBRA's no longer exist.

Subparagraphs 498 C, 836 C, 838 B, 839 A, 840 A, and 841 A have been amended to change reference from 1-EQ to 2-EQ.

Paragraph 905, and subparagraphs 387 D, 404 B, 406 A, 421 D, 536 C, 537 F, 567 B, 742 D, 742 E, and 743 B have been amended to change NFAOC, DLD to NFAOC, FaSB.

Exhibit 2 has been amended to remove definitions for Net Recovery Buyout Recapture Agreement and Preservation Loan Servicing; revise the definitions of Former Borrower Liquidated and Non-Essential Assets; and add the following definitions: Embedded Entity, Entity Member, Operator and Relative.

Exhibit 50 and Exhibit 60 have been amended to provide clarification on legal issues.

Exhibit 80 has been amended to replace DLD with FaSB.

**Amendment Transmittal (Continued)**

**A Reasons for Amendment (Continued)**

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## Part 1 Introduction and Purpose

### 1 Purpose and Sources of Authority

#### A Handbook Purpose

This handbook is designed to assist FSA in understanding the following:

- regulations governing:
  - direct loan servicing – special
  - inventory property management
- roles and responsibilities in implementing those regulations and other responsibilities in direct loan servicing – special and inventory property management.

#### B Sources of Authority

The sources of authority for this handbook include the following:

\* \* \*

- 7 CFR Part 766 for servicing borrowers who are financially distressed or delinquent
- 7 CFR Part 767 for managing, leasing, and selling inventory property
- various laws and statutes passed by Congress, including CONACT \* \* \*.

#### C Regulation References

Text in this handbook that is published in the CFR is printed in **bold** text. The CFR citation is printed in brackets in front of the text. The references and text:

- are intended to highlight the requirement in the CFR
- may be used to support adverse FSA decisions.

**Note:** Cross-references printed in bold are citing a CFR section. The handbook paragraph or subparagraph where the cross-referenced CFR text can be found in is printed in nonbold text in parenthesis (within the bold text).

**Example:** Subparagraph 103 C provides “[**7 CFR 766.105(b)**] **(1) The Agency will attempt to achieve a 110 percent debt service margin for the servicing options listed in paragraphs (a)(2) through (4) (subparagraph B) of this section.**”

**Note:** The text “**paragraphs (a)(2) through (4) of this section**” refers to 7 CFR 766.105 (a)(2) through (4). The nonbold reference indicates that 7 CFR 766.105(a) is included in subparagraph 103 B.

2 Related References

A Related FSA Handbooks

The following FSA handbooks concern FLP.

IF the area of concern is about...	THEN see...
appeals and mediation	1-APP.
civil rights compliance and administration for FSA programs	18-AO.
common management and operating provisions for program management activities, functions, and automated applications, such as forms that cannot be accepted by FAX	1-CM.
debt collection and resolution	7-FLP.
direct loan making	3-FLP.
direct loan regular or routine servicing	4-FLP.
disaster designations	1-DIS.
employee development and training	6-PM.
*--environmental risk management	2-EQ.--*
general and administrative regulations governing FLP, and implementing NAD final determinations	1-FLP.
guaranteed loan making and servicing	2-FLP.
the Emergency Loan Seed Producers Program, Horse Breeder Loan Program, Indian Tribal Land Acquisition Program, Special Apple Loan Program, Land Contract Guarantee Program, and servicing of minor loan programs	6-FLP.
personnel management, such as employee conflict of interest	3-PM.
policies and procedures for the acquisition of supplies, equipment, and services	*--42-AS.--*
procedures for collecting, maintaining, or disclosing data or information about an individual	3-INFO.
procedures for making records available to the public, other Federal agencies, and Congress	2-INFO.
processing collections and canceling loan checks and payments	3-FI.
State and county organization and administration policies, procedures, principles, and standards, such as work organization	16-AO.
State and county records management	25-AS.

\* \* \*

B Handbook Link

The Handbook Link web site at

\*--<http://intranet.fsa.usda.gov/dam/handbooks/handbooks.asp> provides links to useful--\* web sites.

**3 FLP Forms (Continued)**

**E State-Modified National Forms**

\*--See 1-FLP, subparagraphs 3 E and 3 H.

**F State-Created Forms**

See 1-FLP, subparagraphs 3 F and 3 H.

**G Other Sources of Forms**

See 1-FLP, subparagraph 3 G.--\*

## 4 Agency Exception Authority

### A General

**\*--[7 CFR 766.401, 767.251] On an individual case basis, the Agency may consider--\***  
**granting an exception to any regulatory 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 its financial interest.**

Authority for granting approval of an exception is held only by the Administrator and DAFLP.

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 by e-mail to DAFLP at  
**\*--SM.FSA.DCWA2.AdminException.** The e-mail subject should read "Administrator's--\*  
 Exception to (cite 5-FLP subparagraph) – (Borrower's Name and State)". An **encrypted**  
 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

**Note:** If it is delinquent, where is it 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
- what procedure is to be waived

## 45 DSA Eligibility and Limitations

## A Borrower Eligibility

[7 CFR 766.52(a)] The borrower must meet all of the following requirements to be eligible for a DSA:

- (1) The borrower must have operated the farm in a county designated or declared a **\*--disaster area or a contiguous county at the time of the disaster** (see operator definition in Exhibit 2). **Farmers who have rented out their land base for cash are not--\* operating the farm.**
- (2) The borrower must have acted in good faith, and the borrower's inability to make the upcoming scheduled loan payments must be for reasons not within the borrower's control.
- (3) The borrower cannot have more than one installment set aside on each loan.
- (4) As a direct result of the natural disaster, the borrower does not have sufficient income available to pay all family living and farm operating expenses, other creditors and debts to the Agency. This determination will be based on:
  - (i) The borrower's actual production, income and expense records for the year the natural disaster occurred;
  - (ii) Any other records required by the official;
  - (iii) Compensation received for losses; and
  - (iv) Increased expenses incurred because of the natural disaster.
- (5) For the next production cycle, the borrower must develop a feasible plan showing that the borrower will at least be able to pay all operating expenses and taxes due during the year, essential family living expenses, and meet scheduled payments on all debts, including FLP debts. The borrower must provide any documentation required to support the farm operating plan.
- (6) The borrower must not be in non-monetary default.
- (7) The borrower must not be ineligible due to disqualification resulting from Federal Crop Insurance violation according to 7 CFR part 718 (1-CM).
- (8) The borrower must not become 165 days past due before the appropriate Agency DSA documents are executed.

The borrowers must remain eligible until FSA-2501 is executed.

**45 DSA Eligibility and Limitations (Continued)****B Loan Eligibility**

**[7 CFR 766.52(b)] (1) Any FLP loan to be considered for DSA must have been outstanding at the time the natural disaster occurred.**

**(2) All of the borrower's FLP program and Non-program loans must be current after the Agency completes a DSA of the scheduled installment.**

**(3) All FLP loans must be current or less than 90 days past due at the time the application for DSA is complete.**

**(4) The Agency has not accelerated or applied any special servicing action under this part to the loan since the natural disaster occurred.**

**(5) For any loan that will receive a DSA, the remaining term of the loan must equal or exceed 2 years from the due date of the installment set-aside.**

**(6) The loan must not have a DSA in place.**

The loans must remain eligible until FSA-2501 is executed.

**C Borrowers in Bankruptcy**

A borrower paying FSA debts under a confirmed bankruptcy plan may be eligible to receive relief similar to DSA through the court by modifying the bankruptcy plan. See Part 11, Section 1.

**D Borrowers Paying Under a Debt Settlement**

A borrower paying FSA under a Debt Settlement Adjustment Agreement is not eligible for DSA.

## 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 be sent Exhibit 13 whenever FSA-2512 or FSA-2514 are sent to the borrower.

Borrowers with YL's will be sent Exhibit 14, with the appropriate PLS notification to explain the reason for the notification 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)**



**Section 2 Completing the Loan Servicing Application****81 Required Information****A General Application Requirements and Signatures**

**[7 CFR 766.102(a)] Except as provided in paragraph (e) (subparagraph 83 A) of this section, an application for primary loan servicing, conservation contract, current market value buyout, homestead protection, or some combination of these options, must include the following to be considered complete:**

FSA will consider an application complete when the borrower has completed, signed, dated and submitted to the servicing office, the forms and reports listed in subparagraphs B through I to the extent that the borrower is responsible.

The authorized agency official will date stamp, on the date received, all material received from the borrower. Date of complete application is entered on FSA-2001.

**B Acknowledgement Form**

**[7 CFR 766.102(a)(1)] Completed acknowledgement form provided with the Agency notification and signed by all borrowers;**

To request loan servicing, all delinquent or distressed borrowers must sign and submit FSA-2511, FSA-2513, or FSA-2515 as appropriate unless the borrower is a divorced spouse seeking a release of liability.

**C Application Form**

**[7 CFR 766.102(a)(2)] Completed Agency application form;**

The borrower and, in the case of an entity, all entity members must complete FSA-2001. The authorized agency official will order personal and/or commercial credit reports immediately upon receipt of the signed FSA-2001 and acknowledgement form. No credit report fee is collected for applications for servicing only. Entity members may use FSA-2037 to provide financial information.

**\*--Note:** For FSA-2001 without initials only, authorized agency official will obtain initials before closing the servicing action requested.--\*

**81 Required Information (Continued)****D Financial Records**

**[7 CFR 766.102(a)(3)] Financial records for the three most recent years, including income tax returns;**

The borrower must provide all farm and nonfarm income and expense records, including family living expenses. Financial records will be submitted through FSA-2002 or other similar format. FSA does not release a borrower's income tax records without OGC's consent.

**E Production Records**

**[7 CFR 766.102(a)(4)] The farming operation's production records for the three most recent years or the years the borrower has been farming, whichever is less;**

Farm production records will be submitted through FSA-2003 or other similar format.

**F Compliance With Environmental Requirements**

**\*--[7 CFR 766.102(a)(5)] Documentation of compliance with the Agency's environmental regulations contained in subpart G of 7 CFR part 1940;**

**Note: At 81 FR 51285, Aug. 3, 2016, §766.102, in paragraph (b)(3)(ii), the words "subpart G of 7 CFR part 1940" were removed and the words "part 799 of this chapter" were added in their place. However, paragraph (b)(3)(ii) does not exist, and this amendment could not be incorporated.--\***

AD-1026 and NRCS-CPA-026, which accurately reflect the current farm operation, must be used. FSA will not require new forms unless the existing forms no longer reflect the current operation.

**G Verification of Nonfarm Income**

**[7 CFR 766.102(a)(6)] Verification of all non-farm income;**

Nonfarm income will be verified and documentation included in the case file according to 3-FLP, subparagraph 42 A.

**H Farm Operating Plan**

**[7 CFR 766.102(a)(7)] A current financial statement and the operation's farm operating plan, including the projected cash flow budget reflecting production, income, expenses, and debt repayment plan. In the case of an entity, the entity and all entity members must provide current financial statements; and**

FBP will be prepared from FSA-2037 and FSA-2038 and the borrower's historical data.

**81 Required Information (Continued)****I Verification of Debt and Collateral****[7 CFR 766.102(a)(8)] Verification of all debts and collateral.**

Debts will be verified and documentation included in the case file according to 3-FLP, subparagraph 42 A.

**82 Additional Information Required if Applying for Other Loan Servicing Programs****A Debt Settlement**

**[7 CFR 766.102(c)] To be considered for debt settlement, the borrower must provide the appropriate Agency form, and any additional information required under subpart B of 7 CFR Part 1956. (7-FLP, Part 12)**

\*--To apply for debt settlement, a borrower must complete and submit FSA-2732 and may do--\* so at any time. The loan account does not need to be delinquent and the borrower does not need to apply for primary loan serving before applying for debt settlement. See 7-FLP, Parts 8 and 12.

**B Conservation Contract**

**[7 CFR 766.102(b)] In addition to the requirements contained in paragraph (a) (paragraph 81) of this section, the borrower must submit an aerial photo delineating any land to be considered for a conservation contract.**

To apply for a conservation contract, a borrower must submit to the County Office:

- a complete application as described in paragraph 81
- an aerial photo or map of the tract and approximate legal description, outlining the proposed boundaries of the conservation area.

See Part 5 for more information on conservation contracts.

**83 Borrower Response Timeframes****A Borrower Response Timeframes**

**[7 CFR 766.101(d)] To be considered for loan servicing, a borrower who is:**

**(1) Current or financially distressed may submit a complete application any time prior to becoming 90 days past due;**

If a distressed borrower becomes 90 calendar days past due before closing a loan restructure, processing will stop and the authorized agency official will send the 90-calendar-day past due notification.

**[7 CFR 766.102(d)] If a borrower who submitted a complete application while current or financially distressed is renotified as a result of becoming 90 days past due, the borrower must only submit a request for servicing in accordance with paragraph (a)(1) (subparagraph 81 B) of this section, provided all other information is less than 90 days old and is based on the current production cycle. Any information 90 or more days old or not based on the current production cycle must be updated.**

**[7 CFR 766.102(e)] The borrower need not submit any information under this section that already exists in the Agency's file and is still current as determined by the Agency.**

**[7 CFR 766.101(d)(2)] Ninety (90) days past due must submit a complete application within 60 days from receipt of FSA-2510;**

**[7 CFR 766.101(d)(3)] In non-monetary default with or without monetary default must submit a complete application within 60 days from receipt of FSA-2514.**

For borrowers who are 90 calendar days past due or in nonmonetary default, all items required from the borrower according to paragraph 81 must be received in the office by close of business on the last day. If the 60th calendar day is a Saturday, Sunday, or Federal holiday, FSA will accept the borrowers completed application the next workday.

**Section 3 Loan Servicing Processing and Requirements****101 Initial Processing****A General Policy**

FSA will not begin processing a loan servicing application until the application is complete.

FSA must process a complete loan servicing application within 60 calendar days of receiving a complete application. See Part 6, Section 2 for application processing deadlines.

**102 Eligibility****A General**

**[7 CFR 766.104(a)] A borrower must meet the following eligibility requirements to be considered for primary loan servicing:**

Requirements specific to certain servicing actions are stated in Part 4.

**\*--B Entity and Operator Requirements**

If the borrower is an entity or comprised of 2 or more individuals, the entity as well as each member must meet all eligibility requirements (as all are liable) and will be required to sign FSA-2026.

The borrower must have been the operator as defined in Exhibit 2.--\*

**C Good Faith**

**[7 CFR 766.104(a)(4)] The borrower has acted in good faith.** If loan servicing is to be denied based on “lack of good faith”, a determination must be made by OGC according to 4-FLP, paragraph 100.

**102 Eligibility (Continued)****D Reason for Delinquency or Distress**

**[7 CFR 766.104(a)(1)] The delinquency or financial distress is the result of reduced repayment ability due to one of the following circumstances beyond the borrower's control:**

- (i) Illness, injury, or death of a borrower or other individual who operates the farm;**
- (ii) Natural disaster, adverse weather, disease, or insect damage which caused severe loss of agricultural production;**
- (iii) Widespread economic conditions such as low commodity prices;**
- (iv) Damage or destruction of property essential to the farming operation; or**
- (v) Loss of, or reduction in, the borrower or spouse's essential non-farm income.**

If the borrower is delinquent or financially distressed because of an action within the borrower's control, the borrower is not eligible for loan servicing.

**Part 6 Common Requirements and Final Processing****Section 1 Security****211 Additional Security for Servicing Actions****A Requirements**

**[7 CFR 766.112(a)] If the borrower is delinquent prior to restructuring, the borrower, and all entity members in the case of an entity, must execute and provide to the Agency a lien on all of their assets, except as provided in paragraph (b) (subparagraph 211 C) of this section, when the Agency is servicing a loan.**

FSA will take the best lien obtainable on all assets the borrower owns at the time of a primary loan servicing action. If the borrower is an entity, FSA will take the best lien obtainable on all assets owned by the entity and all assets owned by the individual members of the entity. These assets are additional security for the restructured loans and for any FSA-2543 that may be executed according to paragraph 249. An appraisal is not required to take security as a best lien obtainable unless the property will be covered by FSA-2543.

**B Allowable Security**

Security may include but is not limited to:

- land, mineral rights, water rights, buildings, fixtures, machinery, and equipment
- livestock, livestock products, growing crops, stored crops, inventory, supplies, and accounts receivable
- cash or cash collateral accounts, marketable securities, certificates of ownership of precious metals, and cash surrender value of life insurance
- assignments on leases or leasehold interests having mortgageable value, revenues, royalties from mineral rights, patents, copyrights, and pledges of security from third parties.

211 Additional Security for Servicing Actions (Continued)

**C Exceptions**

**[7 CFR 766.112(b)] The Agency will take the best lien obtainable on all assets the borrower owns, except:**

- (1) When taking a lien on such property will prevent the borrower from obtaining credit from other sources;**
- (2) When the property could have significant environmental problems or costs as \*--described in 7 CFR part 799 of this chapter;--\***
- (3) When the Agency cannot obtain a valid lien;**
- (4) When the property is subsistence livestock, cash, special collateral accounts the borrower uses for the farming operation, retirement accounts, personal vehicles necessary for family living, household contents, or small equipment such as hand tools and lawn mowers; or**
- (5) When a contractor holds title to a livestock or crop enterprise, or the borrower manages the enterprise under a share lease or share agreement.**

212-225 (Reserved)

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, except SED must approve all primary loan servicing actions:

- that result in debt forgiveness, or
- when the borrower (or any entity member) has received primary loan servicing 2 or more times in the previous 5 years.

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

**\*--Note:** Any new loans made in conjunction with PLS must be approved according to 1-FLP, subparagraphs 29 A-D, taking the restructured loan amounts into consideration.--\*

**227, 228 (Reserved)**



**231 Additional Servicing Information Applicable to Adverse Decisions****A Reconsideration**

Reconsideration is an opportunity for a borrower to request a meeting with FLM, SFLO, or FLO about an adverse decision.

The borrower has 30 calendar days from the date of the notice of adverse decision to request reconsideration. The borrower may present additional information at this meeting or explain why they believe the adverse decision is in error.

The borrower will get only 1 reconsideration for each adverse decision.

The authorized agency official will send the borrower a letter stating the results of the reconsideration meeting. If the decision is favorable to the borrower, the authorized agency official will resume processing of the borrower's request for primary loan servicing. If FSA's decision has not changed, the borrower will be provided with new mediation and appeal rights.

**B Appeals**

The borrower has 30 calendar days from the receipt of the notice of adverse decision to request an appeal.

The borrower may request an appeal of an appraisal after receiving an adverse decision from FSA. The borrower may not appeal if the appraised value was previously negotiated according to subparagraph 230 B.

FSA will handle a borrower's appeal request according to 1-APP.

**C Buyout at Current Market Value**

FSA will offer a buyout at current market value to eligible borrowers who have not developed a feasible plan through primary loan servicing according to Part 8.

**D Debt Settlement**

\*--Borrowers may apply for debt settlement at any time during the primary loan servicing or Homestead Protection process.--\*

If SED denies the borrower's debt settlement request, the borrower can appeal the adverse decision. See 7-FLP, Part 12 for information on debt settlement.

**232-245 (Reserved)**



## 248 Closing Deferred Loans

### A Introduction to Deferrals

FSA will also reschedule or reamortize, as applicable, all loans deferred through primary loan servicing.

FSA may defer all or part of a loan according to eDALR\$.

### B Closing Deferrals

The authorized agency official will:

- ensure that the payments on FSA-2026's match the final eDALR\$ report
- complete the addendum to FSA-2026 addressing repayment of deferred interest according to FSA-2026 instructions
- \*--complete box 9 of FSA-2026 to address all actions requiring the promissory note, including "deferral", according to FSA-2026 instructions--\*
- mark the existing promissory note or assumption agreement "rescheduled/reamortized with full/partial deferral," as appropriate, and attach it to the new FSA-2026
- file the new deferred FSA-2026 according to 25-AS
- file a copy of the new note with the copy of the existing promissory note or assumption agreement in position 2 of the borrower's case file
- provide a copy of the new deferred FSA-2026 to the borrower at closing
- file the original eDALR\$ report in position 3.

1M and 5W – Record Loan Deferral transactions will be processed in DLS Special Servicing to record the deferred loans as well as record the "DEF" flag on the account. These transactions will be created and processed in the correct sequence by DLS Special Servicing.

**248 Closing Deferred Loans (Continued)****C Ongoing Servicing of Deferrals**

Review the NFAOC quarterly status report to determine borrowers who have deferrals expiring.

Review the borrower's financial progress during the annual analysis according to paragraph 161.

Send the borrower a letter 6 months before the expiration of the deferral stating the amount and due date of the first payment.

After all deferrals on a borrower's account have expired, the "DEF" flag (Exhibit 11) will be \*--converted to a "DEF3" flag by NFAOC, FaSB. This flag is not required to be removed--\* and is used to indicate which accounts have previously been serviced with deferral servicing actions. If all deferrals on an account must be canceled before their expiration, the "DEF" flag must be removed from the account by completing FSA-2562 and processing a 5H transaction.

**249 Closing Write-Downs****A Introduction**

FLP loans can be fully or partially written down.

Loans that are partially written down must be fully restructured. FSA will also reschedule, reamortize, or defer, as applicable, all loans written down through primary loan servicing according to paragraphs 247, 248, and/or this paragraph.

**B Closing Write-Down**

The authorized agency official will:

- \*--ensure that the payments on FSA-2026's match the final eDALR\$ report--\*
- mark the existing promissory note or assumption agreement "Satisfied by Approved Debt Writedown" if the loan is completely written down or "Restructured with Partial Debt Writedown" if the loan is partially written down, and attach it to the new FSA-2026
- attach the promissory note, if required, to the new FSA-2026
- file FSA-2026 according to 25-AS
- provide a copy of the new FSA-2026 to the borrower at closing
- \*--file the original eDALR\$ report in Position 3.--\*

## 249 Closing Write-Downs (Continued)

**C SAA Required**

[7 CFR 766.201] (a) The Agency requires a borrower to enter into a SAA with the Agency covering all real estate security when the borrower:

- (1) Owns any real estate that serves or will serve as loan security; and
- (2) Accepts a writedown in accordance with section 766.111 (paragraph 172).

FSA requires FSA-2543 when debt is written down on a loan secured by real estate. If the specific loans that are to be written down are not secured by real estate before the current servicing action, FSA-2543 does not need to be completed even if other serviced loans are secured by real estate.

See Part 9, Section 1 for details on servicing SAA's.

A borrower will execute FSA-2543 and it will remain attached to the new FSA-2026. Copies of FSA-2543 will be attached to all copies of FSA-2026.

**D Processing Write-Down**

The authorized agency official will process a 3R – Shared Appreciation Writedown transaction in DLS Special Servicing to record the write-down and to establish an equity record for the debt written down. The equity record will establish an account for the amount of the SAA recapture that may come due.

The equity record will be for the total amount of debt written down on all loans, including those not secured by real estate. This total amount will be used when recording the DLS transactions and also used when completing FSA-2543.

**E Additional Security Required**

The borrower must agree to additional liens on available security according to paragraph 211. FSA's real estate and chattel liens will be maintained by cross collateralization even if all real estate or chattel type loans are written off.

\*--As noted in subparagraph 211 A, if additional real estate security is pledged, the filing information and appraised market value of this security will be included when completing FSA-2543. Any sales or conveyances of the additional real estate security will also be subject to recapture according to paragraph 342.

**Example A:** A borrower receives a write-down on a loan that is secured by real estate with an appraised value of \$65,000. As part of the servicing, the borrower will also be providing the agency with a lien of previously unencumbered security. This additional security is appraised and valued at \$45,000. When completing FSA-2543, the market value of all real property securing FSA notes will be \$110,000 and filing information for both properties will be included on the form.--\*

284 **Determining Applicant and Property Eligibility (Continued)**

**B Property Eligibility Requirements**

**[7 CFR 766.152(a)] (1) The principal residence and the adjoining land of up to 10 acres, must have served as real estate security for the FLP loan and may include existing farm service buildings. Homestead Protection does not apply if the FLP loans were secured only by chattels.**

**(3) The proposed homestead protection site must meet all State and local requirements for division into a separate legal lot.**

\*--The property must comply with all environmental considerations described in 1-EQ and 2-EQ.--\*

If the site cannot be approved by local officials because of local zoning regulations, homestead protection must be concluded and servicing will continue.

If necessary, FSA grants or retains reasonable easements for ingress, egress, utilities, and water rights for the benefit of the adjoining property.

**284 Determining Applicant and Property Eligibility (Continued)****C Negotiating Eligible Land and Buildings With the Borrower**

**[7 CFR 766.152(a)(2)] The applicant may propose a homestead protection site. Any proposed site is subject to Agency approval.**

If the authorized agency official does not agree with the proposed size or shape of the property, FSA negotiates the configuration with the borrower. If the borrower and the authorized agency official still cannot agree on the proposed shape and size of the property, the authorized agency official determines the property's configuration and provides appeal rights.

**D Surveying Homestead Protection Property**

When FSA and the borrower agree on the property's configuration and FSA finds the borrower eligible for homestead protection, the authorized agency official has:

- a licensed surveyor survey the property, if needed
- the property's legal description prepared
- the property lines marked with permanent markers.

The reasonable customary cost of these services will be paid by FSA.

**E Appraising Homestead Protection Property**

**[7 CFR 766.154(e)] The Agency will use an appraisal obtained within 6 months from the date of the application for considering homestead protection. If a current appraisal does not exist, the applicant will select an independent real estate appraiser from a list of appraisers approved by the servicing official.**

FSA pays for the appraisal according to 1-FLP, Part 6.

**Part 8 Current Market Value Buyout****321 Buyout at Current Market Value****A Introduction**

If a feasible plan cannot be developed through primary loan servicing, FSA will offer the borrower current market value buyout if they are determined eligible according to subparagraph B.

Current market value allows the borrower to pay FSA the current market value of the security less any prior liens. FSA will release all of the borrower's debt and security instruments when current market value is paid in full within the required timeframes. If the total FLP debt is less than current market value, FSA will accept payment in full at any time.

**B Borrower Eligibility**

**[7 CFR 766.113 (a)] A delinquent borrower may buy out the borrower's Agency loans at the current market value of the loan security, including security not in the borrower's possession, and all non-essential assets if:**

- (1) The borrower has not previously received debt forgiveness on any other FLP direct loan;**
- (2) The borrower has acted in good faith;**
- (3) The borrower does not have non-essential assets for which the net recovery value is sufficient to pay the account current;**
- (4) The borrower is unable to develop a feasible plan through primary loan servicing programs or a Conservation Contract, if requested;**
- (5) The present value of the restructured loans is less than the net recovery value of Agency security;**
- (6) The borrower pays the amount required in a lump sum without guaranteed or direct credit from the Agency; and**
- (7) The amount of debt forgiveness does not exceed \$300,000.**

**321 Buyout at Current Market Value (Continued)**

**B Borrower Eligibility (Continued)**

Debt reduction from FSA-2535's is not included in the \$300,000 limit described in this subparagraph.

If eDALR\$ shows that FSA would write off more than \$300,000 of the borrower's debt in restructuring the debt or accepting the current market value, the borrower is not eligible for primary loan servicing or current market value buyout. The borrower may be considered for debt settlement according to 7-FLP, Part 12.

**C Approval of Buyout**

SED must approve all current market value buyouts unless the account is paid in full.

\* \* \*

**Part 9 Servicing Shared Appreciation Agreements \* \* \***

\* \* \*

**341 Monitoring Shared Appreciation Agreements**

**A NFAOC Reports**

NFAOC 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.**

**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)**

**361-365 (Withdrawn--Amend. 39)**

**366-380 (Reserved)**



**387 Recovering Unauthorized Assistance (Continued)****C Unauthorized Assistance Remittance in a Lump Sum**

**[7 CFR 766.253(a)(1)] The borrower may repay the amount of the unauthorized assistance in a lump sum within 90 days of Agency notice.**

The authorized agency official must make every reasonable attempt to collect the amount of the unauthorized assistance calculated in paragraph 385 from the borrower in a lump sum. If the borrower agrees to remit the unauthorized assistance in a lump sum, the borrower must remit the unauthorized assistance within 90 calendar days of receipt of Exhibit 31.

FSA can make the borrower a new loan or a subordination to refinance the unauthorized loan as long as the new action meets all requirements for the type of new loan or subordination.

**D Other Unauthorized Assistance Remittance Options**

**[7 CFR 766.253(a)] (2) If the borrower is unable to repay the entire amount in a lump sum, the Agency will accept partial repayment of the unauthorized assistance within 90 days of Agency notice to the extent of the borrower's ability to repay.**

**(3) If the borrower is unable to repay all or part of the unauthorized amount, the loan will be converted to a Non-program loan under the following conditions:**

**(i) The borrower did not provide false information;**

**(ii) It is in the interest of the Agency;**

**(iii) The debt will be subject to the interest rate for Non-program loans;**

The borrower must develop a feasible plan which includes the unauthorized assistance amount at NP rates and terms.

**(iv) The debt will be serviced as a Non-program loan;**

**(v) The term of the Non-program loan will be as short as feasible, but in no case will exceed:**

**(A) The remaining term of the FLP loan;**

**(B) Twenty-five (25) years for real estate loans; or**

**(C) The life of the security for chattel loans.**

**\*--A new FSA-2026 will not be taken. Instead NFAOC, FaSB will be informed of the--\*** change by memorandum identifying the loan to be affected, noting the new rates and terms, and referring to the authority in the regulation in this subparagraph. Copies of the memorandum will be attached to FSA-2026 of affected loan and all copies.

**387 Recovering Unauthorized Assistance (Continued)****E Borrower Refusal to Pay**

**[7 CFR 766.254(b)] If the borrower is able to pay the unauthorized assistance amount but refuses to do so, the Agency will notify the borrower of the availability of loan servicing in accordance with subpart C (Part 3) of this part.**

Borrowers who can pay but refuse are in nonmonetary default.

**F When FSA Pursues Legal Action to Collect Unauthorized Assistance**

The authorized agency official will move toward liquidation by notification of the borrower according to Part 3 if:

- the borrower fails to attend the scheduled meeting
- the borrower fails to respond to FSA within 30 calendar days of the date of receipt of Exhibit 31
- the borrower has not completed the corrective action within 90 calendar days of the date of receipt of Exhibit 31.

If OIG determines that unauthorized assistance was caused by incomplete or false information, the authorized agency official services the borrower's account and recovers unauthorized assistance according to OIG instructions.

**G Processing Any Account Adjustments**

The authorized agency official will process any payment made to resolve the unauthorized assistance case as an extra payment according to 4-FLP, subparagraph 63 A.

**388-400 (Reserved)**

**403 Filing Proof of Claim****A Role of the State Office**

In a bankruptcy case, the State Office will determine whether FSA has security for the debt and whether the debtor has other assets from which FSA could make a substantial collection. In making this determination, the State Office should request additional information as needed from the authorized agency official.

**B Actions for Borrower Under Chapter 7 With No Loan Security or Other Assets**

Unless otherwise advised by OGC, if FSA cannot make a substantial recovery from the security and other assets, the State Office will return the file and related material to the authorized agency official. The State Office will provide the authorized agency official with a memorandum indicating SED's determination and advising that FSA will not file a proof of claim unless the authorized agency official learns that the debtor has assets not previously identified.

The deadline for filing claims in a bankruptcy proceeding is 90 calendar days from the first date set for the meeting of creditors, except governmental units, such as FSA, shall be timely filed if the Proof of Claim is filed 180 calendar days after the date of the order of relief. If FSA learns before the deadline that the borrower has previously unreported assets, the authorized agency official will resubmit the case to the State Office.

**C Actions for Borrower Under Chapters 7, 11, 12, or 13 With Potential for Substantial Recovery**

When working with a borrower under Chapter 7, 11, 12, or 13 and there is potential for substantial recovery, the State Office will prepare Proof of Claim (B10) found at **\*--<http://www.uscourts.gov/forms/bankruptcy-forms/proof-claim-0> or other form approved by OGC to submit a proof of claim. The proof of claim covers all of the borrower's indebtedness to FSA and any SAA's. When the mortgage secures the borrower's principal residence, Attachment A must be filed with the Proof of Claim. Attachment A can be found at <http://www.uscourts.gov/forms/bankruptcy-forms/proof-claim-attachment-0>.\***

The identification of FSA security and Proof of Claim will be submitted to OGC and the U.S. Attorney. Central Intake Facilities will be used if required.

If the proof of claim is submitted to OGC, SED will identify in a memo the security that FSA took for each FLP loan.

If SED knows that the U.S. Attorney has obtained a judgment against the borrower, SED will notify OGC even though the debt has been charged off.

SED, on OGC's advice, will instruct the authorized agency official about actions to take with respect to meetings of creditors.

SED will take no other actions without OGC's or DOJ's approval.

**403 Filing Proof of Claim (Continued)****D Chapter 13 Bankruptcies When FSA Has a Lien on the Debtor's Principal Residence**

Because of Federal bankruptcy rule notification requirements in Chapter 13 bankruptcies where FSA has a lien on the debtor's principal residence and the case is still under court jurisdiction, OGC will be specifically notified when 1 of the following occurs:

- FSA plans on making any changes in the planned payments or interest rate on the account
- FSA plans on charging any recoverable cost items to the account
- FSA receives a notice from the trustee or debtor that payment has been made in full.

The Federal bankruptcy rules require FSA to serve upon the debtor, debtor's counsel, and trustee a notice of any payment changes, including any changes resulting from interest rate or escrow account adjustments, at least 21 calendar days before the new amount is due.

FSA must also serve upon the debtor, debtor's counsel, and trustee a notice of any fees, expenses, or charges incurred after the bankruptcy petition was filed that are recoverable against the borrower, within 180 calendar days of the date that the fees, expenses, or charges were incurred.

If FSA receives a notice that payment has been made in full, the Government must, within 21 calendar days, file and serve the debtor, debtor's counsel, and trustee a notice for either of the following:

- agreeing that full payment has been made
- itemizing any required cure or post-petition amounts that are unpaid.

Notices must be cleared through OGC unless other arrangements have been made.

**404 Adjustment of Debts When Borrowers Are in Bankruptcy****A Referral and Recommendation to SED**

The authorized agency official will send to SED any plans submitted by debtors. SED will refer the plans to the U.S. Attorney through OGC.

SED will provide OGC with a recommendation to accept or reject any debtor's plan that calls for adjustment of FSA debt.

**B FSA Actions After Court Confirms Plan**

Upon receiving notification of the bankruptcy reorganization plan confirmation, SED will \*--notify NFAOC, FaSB of the terms and conditions of the plan including any adjustment of--\* the FSA debt, using FSA-2574. SED should attach to FSA-2574 a copy of the reorganization plan, signed order of confirmation, and discharge order if applicable.

**404 Adjustment of Debts When Borrowers Are in Bankruptcy (Continued)****B FSA Actions After Court Confirms Plan (Continued)**

\*--NFAOC, FaSB will establish the borrower's account according to the reorganization plan--\* and flag the account "SAA" (Exhibit 11) when it is applicable. The "SAA" flag will remain on the account until either the bankruptcy plan is completed and the case is closed, or the bankruptcy is dismissed.

The authorized agency official will file a copy of the plan, order of confirmation, and the original promissory notes according to 25-AS.

The authorized agency official must indicate that the borrower is paying under a reorganization plan in the borrower's case file and in DLS Special Servicing.

**405 FSA Actions When Borrower Defaults on Reorganization Plan or Court Dismisses Bankruptcy While Under Court Jurisdiction****A Borrower Becomes 90 Calendar Days Past Due on a Chapter 11, 12, or 13 Reorganization Plan**

When a borrower becomes 90 calendar days past due on a Chapter 11, 12, or 13 reorganization plan while still under Bankruptcy Court jurisdiction, the authorized agency official will immediately notify the State Office of the facts of the case. The State Office will contact OGC for advice as required.

The authorized agency official will notify the borrower and the borrower's attorney of \*--remaining primary loan servicing and Homestead Protection options not exhausted before--\* filing for bankruptcy or during bankruptcy proceedings using Exhibit 34 and FSA-2510 and FSA-2511 unless either:

- OGC advises that notification is inconsistent with the confirmed reorganization plan and the Bankruptcy Code, 11 U.S.C. §101 et seq.
- FSA has referred the borrower's loan to DOJ
- FSA has previously accelerated the loan.

If all servicing options were exhausted before the bankruptcy filing or during bankruptcy, Exhibit 34 only will be prepared stating that no further servicing options remain.

A borrower operating under a confirmed plan applying and qualifying for loan servicing under Part 3 must comply with the Bankruptcy Code requirements regarding plan modification.

The authorized agency official may request updated information to decide on a previous request for loan servicing. The authorized agency official will send a copy of this notice to the Bankruptcy Trustee unless otherwise advised by OGC.

**405 FSA Actions When Borrower Defaults on Reorganization Plan or Court Dismisses Bankruptcy While Under Court Jurisdiction (Continued)****B Servicing When the Bankruptcy Is Dismissed Without a Confirmed Plan and the Borrower Is in Default**

\*--If the Court dismisses a bankruptcy case and the borrower is in default on FLP loans, the--\* authorized agency official will notify the borrower of any remaining servicing options unless:

- OGC advises that notification is inconsistent with the Bankruptcy Code, 11 U.S.C. §101 et seq.
- FSA has referred the borrower's loan to DOJ
- FSA has previously accelerated the loan.

If the borrower is in default and all loan servicing options are exhausted, FSA will proceed to liquidate the security according to Part 15.

If FSA previously accelerated the account, all of the borrower's servicing rights are exhausted and FSA liquidates the account.

**C Servicing a Borrower When a Bankruptcy Is Dismissed After a Confirmed Plan**

If the borrower makes at least 1 full payment to FSA on the confirmed plan before the bankruptcy is dismissed, the authorized agency official will send the borrower a new servicing notification package.

If the borrower does not make at least 1 full payment to FSA, the authorized agency official will send notification of the remaining servicing options based on the previous notification. If the borrower is in default and all loan servicing options are exhausted, FSA will proceed to liquidate the security according to Part 15.

## 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 7-FLP, Part 12.

The State Office will forward the approved FSA-2731, with a copy of the discharge, to \*--NFAOC, FaSB for processing the debt cancellation.

NFAOC, FaSB will remove the “SAA” flag and process the necessary transactions to--\* write off any portion of the debt.

### B Servicing Remaining Liable Parties

If some, but not all, of the liable parties were discharged of the debt, the authorized agency official will:

- consult with the regional OGC to determine what, if any, collection action can be taken against nondischarged individuals, entities, etc., and any remaining security
- take all allowable collection actions in a timely manner, including collection of unsecured account balances through offset and referral to Treasury as set forth in 7-FLP
- determine whether a partial cancellation of the debt, such as canceling the discharged debt amount that is still owed by the nondischarged individuals, would be appropriate and/or financially beneficial to the Government

**Note:** See paragraph 409.

- monitor these accounts closely to ensure timely resolution.

**406 Servicing Chapter 11, 12, and 13 Cases After the Bankruptcy Case Is Closed (Continued)****C 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.

**D 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.

**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 case file.

## Section 2 Civil and Criminal Cases

### 421 Handling Civil and Criminal Cases

#### A Criteria for Pursuing Civil Cases

FSA will pursue a civil court action against a borrower or third party when:

- the borrower fails to make required payments or to cure nonmonetary default
- all administrative authorities to protect FSA's interests have been exhausted.

#### B Pursuing Criminal Cases

If it appears that an applicant, borrower, or third party committed a criminal violation in any manner, SED will refer the case to the appropriate authorities for investigation and possible prosecution.

If it appears that an applicant, borrower, or third party committed a criminal violation related to the loan, SED will notify OIG for possible criminal investigation according to \*--subparagraph C and 9-AO, paragraph 53. SED must also send a copy of this notification--\* to OGC. If OIG decides to investigate, SED will consult with OIG before taking any action against the borrower.

#### C Collection of Information and Referral to State Office

\*--The authorized agency official will refer civil and criminal cases to the State Office.

If the County Office believes the default is because of conversion, fraud, or waste, the initial report to the State Office can be made by completing FSA-2551, page 3 for conversion, page 5 for fraud, or page 6 for waste. The State Office will then report this information by whatever means is convenient and effective to OIG and/or OGC, as appropriate. If OGC or OIG determines it might pursue the case further, the authorized agency official will be informed of the decision, by memorandum, and will prepare FSA-2550, FSA-2551, and, if applicable, a Claims Collection Litigation Report, for submission to SED. SED will submit the referral to OGC and/or OIG, as appropriate. If neither a criminal or civil case will be pursued, the authorized agency official will be informed and should proceed as directed by the State Office.

SED may issue a State Supplement as required.--\*

#### D Role of State Office

\* \* \* The State Office will flag the account "CAP" upon referral to OGC. If a judgment is:

- obtained against a borrower, the account must be set up with judgment coding using a 3B transaction and FSA-2576, and the "CAP" flag should be removed from the borrower's account

**421 Handling Civil and Criminal Cases (Continued)****D Role of State Office (Continued)**

- obtained against a third party, the State Office will complete and send FSA-2562 to \*--NFAOC, FaSB attached to the 5G transmittal letter to be flagged “TPJ” (Exhibit 11), and the “CAP” flag should be removed
- to be reversed, the State Office must send FSA-2562 to NFAOC, FaSB attached to a 5H transmittal letter.

**Note:** Only NFAOC, FaSB can assign or reverse a “TPJ” flag.--\*

**E Notification to Third Party Purchasers When a Borrower Has Not Properly Accounted for Proceeds**

When a borrower has not properly accounted for the proceeds of the sale of security, FSA will first look to the borrower for restitution. If FSA is in liquidation, FSA will usually attempt to liquidate remaining chattel security on which FSA holds a first lien before making demand or taking civil action against third party purchasers. However, FSA will, with SED concurrence, notify a third party purchaser according to 4-FLP, paragraph 181 when it is necessary to protect the interest of the Government.

**F Notification When a Borrower Has Not Properly Accounted for Proceeds**

When a borrower has not properly accounted for the proceeds of the sale of security, FSA will service the account according to 4-FLP, Part 7.

**G Deficiency Judgment**

In some cases, it is in the Government’s best interest to obtain a deficiency judgment for balances remaining after all security has been liquidated.

The authorized agency official shall:

- make a recommendation about whether a deficiency judgment should be pursued according to subparagraph 533 F
- include information about nonsecurity assets on which a judgment lien may be obtained when referring cases to the State Office according to subparagraph C.

**Note:** Pursuing a deficiency judgment on every case is **not** advisable and may not be a good use of Government resources.

Deficiency judgments are serviced under 7-FLP, Part 11.

**422-430 (Reserved)**

## Section 2 Voluntary Conveyance of Real Property

### 496 Before Receiving Conveyance Offers of Real Property

#### A Borrower Meeting

Before accepting the conveyance of real estate, FSA will schedule a meeting with the borrower to discuss FSA's conveyance requirements, and ensure that FSA has provided a loan servicing notification package to the borrower according to paragraph 66.

The authorized agency official will provide the borrower with FSA-2569, FSA-2570, \*--FSA-2732, and a list of the requirements to make a complete conveyance offer.--\*

The authorized agency official will inform the borrower that:

- voluntary conveyance is a method of liquidation

**Note:** The borrower must liquidate, convey, or do a combination of both for all real property and chattel that secures the borrower's FSA loans.

- any equity in the property to be conveyed may be lost through conveyance as FSA will ensure that all debts and expenses associated with the account are paid before any equity distribution
- FSA may place "right of access" easements to other property, deed restrictions, and/or easements on the property if the property contains wetlands or historic structures or is located on a flood plain according to Part 22

**Note:** These restrictions may affect the price of the property if the borrower purchases the property under the Homestead Protection Program, and may affect FSA's net recovery value.

- there could be tax consequences

**Note:** FSA does not give tax advice. The borrower should consult a tax professional or the IRS for any guidance on this issue. FSA does not release proceeds for income taxes. The property is owned by the borrower and the borrower is responsible for any capital gains taxes.

- FSA may determine that it is able to accept the conveyance of the real estate security, but \*--is unable to approve FSA-2732 that was submitted with the conveyance offer.--\*

**Note:** In these cases, FSA will accept the conveyance and deny the debt settlement application. See subparagraph 499 F for additional guidance.

**497 Real Property Conveyance Application Requirements****A Application**

**[7 CFR 766.353(a)] The borrower must supply the Agency with the following:**

**[7 CFR 766.353(a)] (1) An Agency application form;**

The borrower must complete and submit FSA-2570.

**[7 CFR 766.353(a)] (2) A current financial statement. If the borrower is an entity, all entity members must provide current financial statements;**

**[7 CFR 766.353(a)] (3) Information on present and future income and potential earning ability;**

**[7 CFR 766.353(a)] (4) A warranty deed or other deed acceptable to the Agency;**

\*--The borrower must provide FSA-2569. The authorized agency official does not record the--\* deed until FSA accepts the conveyance.

**[7 CFR 766.353(a)] (5) A resolution approved by the governing body that authorizes the conveyance in the case of an entity;**

An entity must provide a resolution approved by the organization's governing body unless the entity is a joint operation of a husband and wife when both are liable. The resolution must identify the officials authorized to execute the offer and deed on behalf of the borrower. If shareholder approval is required, the resolution must confirm that the entity has obtained shareholder approval.

**497 Real Property Conveyance Application Requirements (Continued)****A Application (Continued)**

**[7 CFR 766.353(a)] (6) Assignment of all leases to the Agency. The borrower must put all oral leases in writing;**

The borrower must put oral leases, including all terms and conditions, in writing and assign all leases to FSA. If a borrower is leasing land on which FSA holds a security interest to a third party for income, FSA will receive all lease proceeds after the conveyance. See 4-FLP, Part 5 for handling lease proceeds.

**[7 CFR 766.353(a)] (8) Complete debt settlement application in accordance with subpart B of 7 CFR part 1956 (7-FLP, Part 12) before or in conjunction with the voluntary conveyance offer if the value of the property to be conveyed is less than the Agency debt; and**

\*--The borrower must complete and submit FSA-2732 with all required supporting--\* documentation for debt settlement, unless the value of the voluntary conveyance security fully satisfies the FSA debt.

The debt settlement application will be processed according to 7-FLP, Part 12. The applications for voluntary conveyance and debt settlement will normally be approved or denied together; however, the voluntary conveyance application can be approved while denying the debt settlement application if SED believes it to be in the Government's best interest.

**[7 CFR 766.353(a)] (9) Any other documentation required by the Agency to evaluate the request.**

**498 Additional Requirements****A Other Use Rights**

If water rights, mineral rights, development rights, or other use rights encumbered by FSA are not included in FSA-2569, or other guidance is needed, the authorized agency official refers the case to SED to obtain OGC guidance as required on the appropriate documents needed to transfer these rights to FSA. SED may issue a State supplement as required.

**B Obtaining an Appraisal**

The authorized agency official will obtain an appraisal of the property to establish its current market value. The appraisal must be based on the “as is” market value according to 1-FLP, Part 6 and must not include potential deed restrictions or easements FSA may place on the property.

**C Conducting a Due Diligence Review**

The authorized agency official will arrange to conduct a due diligence review to assess \*--environmental risk according to 2-EQ. A qualified agency official will conduct the due--\* diligence review to determine whether FSA requires a more detailed environmental review. The cost of any hazardous waste or other environmental clean-up identified by the due diligence review may be considered by FSA, but will not usually be included in Exhibit 37 as clean-up is usually not required for sale of the property.

**D Obtaining a Title Search****[7 CFR 766.353(a)(7)] Title insurance or title record for the security, if available;**

The authorized agency official will conduct a new lien search, according to the standard procedures used in the borrower’s State and the State supplement issued according to subparagraph 462 B, if adequate title information is not available in the borrower’s case file.

The borrower will pay the cost of all title searches or it will be charged to the borrower’s account.

## 500 Closing the Real Property Conveyance (Continued)

**D Crediting the Borrower's Account**

**[7 CFR 766.353(d)(2)] The Agency will credit the borrower's account for the amount of the market value of the property less any prior liens, or the debt, whichever is less. In the case of an American Indian borrower whose loans are secured by real estate located within the boundaries of a Federally recognized Indian reservation, however, the Agency will credit the borrower's account with the greater of the market value of the security or the borrower's Agency debt.**

If the market value is equal to or greater than the borrower's account balance, including prior liens and all other recoverable costs, and always in the case of an American Indian borrower that meets the criteria in this subparagraph, the conveyance satisfies the account. The authorized agency official will stamp the notes "Satisfied by Surrender of Security and Borrower Released from Liability," and return them to the borrower with a copy of FSA-2570 showing FSA's acceptance.

If the conveyance does not satisfy the account, the authorized agency official will credit the borrower's account for the market value of the loan collateral, less prior liens, and provide the borrower a copy of FSA-2570 showing FSA's acceptance of the conveyance.

After a voluntary conveyance of security is closed and no FSA security remains under its security instruments, FSA liens of record are released according to 4-FLP, Part 5.

\*-If FSA-2732 submitted according to subparagraph 497 A was:--\*

- acceptable to FSA, the authorized agency official will process the approved debt settlement for any remaining loan balance
- denied and all appeal rights have been exhausted, the authorized agency official will service the debt through offset and referral to Treasury as set forth in 7-FLP.

**500 Closing the Real Property Conveyance (Continued)**

**E Final Processing**

After FSA acquires the property, the authorized agency official will:

- record the property and assign it an ID number in ADPS
- complete a 3E transaction in ADPS as an advice of property acquired transaction

**Note:** The date of acquisition is the date the deed to FSA is recorded.

- complete a 5L transaction in ADPS as an acquired property maintenance transaction

**Note:** The date of acquisition is the date the deed to FSA is recorded.

- prepare an inventory account file according to Part 19. The certificate of title obtained by FSA will be placed in this file.

**501-515 (Reserved)**

### Section 3 Voluntary Conveyance of Chattel

#### 516 Before Receiving Conveyance Offers of Chattel

##### A Borrower Meeting

Before accepting the conveyance of chattels, the authorized agency official will schedule a meeting with the borrower to discuss FSA's conveyance requirements. The authorized agency official will ensure that FSA has provided a loan servicing notification package to the borrower.

The borrower will be strongly encouraged to execute FSA-2571 as opposed to beginning the voluntary conveyance process as it is simpler and quicker and does not require SED approval or a concurrent debt settlement application. Chattels may sometimes be conveyed as fixtures as described in subparagraph 481 A.

The authorized agency official will also inform the borrower that:

- voluntary conveyance is a part of liquidation

**Note:** The borrower must liquidate, convey, or do a combination of both for all real property and chattel that secures the borrower's FSA loans.

- any equity in the property to be conveyed may be lost through conveyance
- there could be tax consequences

**Note:** FSA does not give tax advice. The borrower should consult a tax professional or the IRS for any guidance on this issue. FSA does not release for income taxes. The property is owned by the borrower and the borrower is responsible for any capital gains taxes.

- FSA may determine that it is able to accept the conveyance of the chattel security, but is \*-unable to approve FSA-2732 that was submitted with the conveyance offer.-\*

**Note:** In these cases, FSA will accept the conveyance and deny the debt settlement application. See subparagraph 499 F for additional guidance.

The authorized agency official will provide the borrower with FSA-2570, FSA-2070, \*-FSA-2732, and a list of the requirements to make a complete conveyance offer.-\*

**517 Chattel Conveyance Application Requirements****A Application**

**[7 CFR 766.354(a)] The borrower must supply the Agency with the following:**

**[7 CFR 766.354(a)] (1) An Agency application form;**

The borrower must complete FSA-2570.

**[7 CFR 766.354(a)] (2) A current financial statement. If the borrower is an entity, all entity members must provide current financial statements;**

**[7 CFR 766.354(a)] (3) Information on present and future income and potential earning ability;**

**[7 CFR 766.354(a)] (4) A bill of sale including each item and titles to all vehicles and equipment, as applicable;**

The borrower must complete FSA-2070 for all chattel securing FSA debt.

The borrower must provide FSA with titles for all titled vehicle or equipment security if FSA does not have such titles on file.

**[7 CFR 766.354(a)] (5) A resolution approved by the governing body that authorizes the conveyance in the case of an entity borrower;**

An entity borrower must provide a resolution approved by the organization's governing body. The resolution must identify the officials authorized to execute the offer and deed on behalf of the borrower. If shareholder approval is required, the resolution must confirm that the entity has obtained shareholder approval.

The authorized agency official may request additional information from the borrower if it is required to make a determination on the conveyance offer.

**517 Chattel Conveyance Application Requirements (Continued)****A Application (Continued)**

**[7 CFR 766.354(a)] (6) Complete debt settlement application in accordance with subpart B of 7 CFR part 1956 (7-FLP, Part 12) before or in conjunction with the voluntary conveyance offer if the value of the property to be conveyed is less than the debt.**

**\*--The borrower must complete and submit FSA-2732 with all required supporting--\***  
documentation for debt settlement, unless the value of the voluntary conveyance security will fully satisfy the FSA debt.

The debt settlement application will be processed according to 7-FLP, Part 12. The applications for voluntary conveyance and debt settlement will normally be approved or denied together; however, the voluntary conveyance application can be approved while denying the debt settlement application if SED believes it to be in the Government's best interest.

**518 Additional Requirements****A FSA Actions After Receiving Offer**

**[7 CFR 766.354(b)] The Agency will accept conveyance of chattel only if:**

**[7 CFR 766.354(b)] (1) The borrower has made every possible effort to sell the property voluntarily;**

This includes consideration of the execution of FSA-2571.

**[7 CFR 766.354(b)] (2) The borrower can convey the chattel free of other liens;**

- The authorized agency official will conduct a lien search to verify that FSA is the only lienholder on the chattels.
- The authorized agency official conducts or obtains a chattel inspection and appraisal. The inspection and appraisal are required to account for all chattel security listed in the borrower's offer and to determine the market value of the property. The authorized agency official will conduct the appraisal according to 1-FLP, Part 6 as appropriate.
- The authorized agency official will determine the likely recovery value to FSA and whether the conveyance will satisfy the borrower's account. To calculate the recovery value, the authorized agency official will subtract all estimated expenses, including acquisition, preparation, and auction costs, from the appraised market value of FSA security.

The authorized agency official will document that approval of the voluntary conveyance is in FSA's best interest.

**[7 CFR 766.354(b)] (4) The borrower conveys all chattel securing the Agency loan; and**

The authorized agency official will confirm that the conveyance offer includes all chattel property securing FSA debts. If the borrower has real property securing an FSA loan that is not part of the conveyance offer, the authorized agency official must document that the borrower is liquidating this security by another method approved by FSA. All sales must be completed before the voluntary conveyance.

**[7 CFR 766.354(b)] (5) The borrower has received prior notification of the availability of loan servicing in accordance with subpart C (Part 3) of this part.**

The authorized agency official will document that the borrower received the proper primary loan servicing notices according to paragraph 66.

**520 Closing the Chattel Conveyance****A Charging the Borrower's Account**

**[7 CFR 766.354(c)(1)] The Agency will charge the borrower's account for all recoverable costs incurred in connection with the conveyance in accordance with § 765.203 (4-FLP, Part 6) of this chapter.**

**B Crediting the Borrower's Account**

**[7 CFR 766.354(c)(2)] The Agency will credit the borrower's account in the amount of the market value of the chattel.**

If the appraised market value of the chattel is equal to or greater than the borrower's debt, the conveyance satisfies the account. The authorized agency official will stamp the notes "Satisfied by Surrender of Security and Borrower Released from Liability" and send them to the borrower.

If the appraised market value of the security is less than the borrower's debt, the authorized agency official will credit the account by the market value of the chattel.

**\*--If FSA-2732 submitted according to subparagraph 517 A was:--\***

- acceptable to FSA, the authorized agency official will process the approved debt settlement for any remaining loan balance
- denied and all appeal rights have been exhausted, the authorized agency official will service the debt through offset and referral to Treasury as set forth in 7-FLP.

**C Final Processing**

After FSA acquires the property, the authorized agency official will:

- complete a 3E transaction in ADPS as an advice of property acquired transaction

**Note:** The date of acquisition is the date the authorized agency official takes possession of chattel security after determining all conditions are met.

- complete a 5L transaction in ADPS as an acquired property maintenance transaction

**Note:** The date of acquisition is the date the authorized agency official takes possession of chattel security after determining all conditions are met.

- prepare an inventory account file according to paragraph 721.

**521-530 (Reserved)**



**535 Payments After Acceleration****A Time Limitations**

**[7 CFR 766.355(b)] The borrower has 30 days from the date of the Agency acceleration notice to pay the Agency in full.**

**B Payment Methods**

**[7 CFR 766.355(c)] The borrower may:**

**[7 CFR 766.355(c)(1)] Pay cash;**

Acceptable forms of payment and processing payments are described in 4-FLP, Part 5.

**[7 CFR 766.355(c)(2)] Transfer the security to a third party in accordance with Part 765, subpart I (4-FLP, Part 9) of this chapter;**

**[7 CFR 766.355(c)(3)] Sell the security property in accordance with §766.352 (Part 13);  
or**

**[7 CFR 766.355(c)(4)] Voluntarily convey the security to the Agency in accordance with §§ 766.353 and 766.354 (Part 14), as appropriate.**

**C Partial Payments**

**[7 CFR 766.355(d)] The Agency may accept a payment that does not cover the unpaid balance of the accelerated loan if the borrower is in the process of selling security, unless acceptance of the payment would reverse the acceleration.**

SED, in consultation with OGC, will issue a State supplement providing guidance on each State's policy and procedures for accepting partial payments.

**D Borrower Files for Bankruptcy**

If the borrower files for bankruptcy after FSA accelerates the account, FSA will suspend foreclosure and proceed according to Part 11.

**536 Proceeding After Acceleration Deadlines**

**A Failure to Satisfy the Debt**

**[7 CFR 766.355(e)] The Agency will liquidate the borrower's account in accordance with § 766.357 (Part 16) if the borrower does not pay the account in full within the time period specified in the acceleration notice.**

**B Forwarding the Case File**

DD will forward the case file with all relevant information and documentation to SED.

**C Account Information**

\*--In judicial foreclosure States, SED will request FSA-2560 be prepared by NFAOC, FaSB if required by the U.S. Attorney. NFAOC, FaSB will respond with FSA-2561. In--\* nonjudicial foreclosure States, the account balance and recapture information may be obtained from Field Office files and NFAOC ADPS systems.

537 Acceleration of Loans to American Indians With Real Estate Security on an Indian Reservation (Continued)

\*--E Authorized Agency Official Responsibilities (Continued)

The authorized agency official shall notify the borrower:--\*

- that the request has been forwarded
- of the Tribe or Secretary of the Interior’s decision as follows.

IF the...	THEN...
decision of the Tribe or the Secretary of Interior is to accept the borrower’s loan assignment request	*--the authorized agency official shall notify the borrower--* using Exhibit 56.
Secretary of Interior has accepted the assignment	borrower’s loan will be assigned to the Secretary of Interior pursuant to National Office instructions.
Tribe has indicated that it will accept an assignment of the loan and will seek to pay for the transaction over a period of time	*--the authorized agency official shall send the Tribe, for the--* Tribe to execute within 90 calendar days, FSA-2026 payable to FSA in exchange for the assignment of the loan, as well as any other loan documents required by FSA to finance this debt under rates and terms similar to an ITLAP loan, including an assignment of Tribal income as security for the Tribe’s loan. FSA-2026 shall be prepared with the consideration amount as determined under this paragraph and with rates and terms similar to an ITLAP loan.  <b>Note:</b> All ITLAP servicing options may be applied to these loans, except any write down servicing options.
Tribe has timely executed and returned the documents described in this paragraph	*--the authorized agency official shall send to the Tribe all--* original borrower promissory notes and mortgages being assigned, along with any other relevant security instruments. Agency documents provided to the Tribe shall be prepared, endorsed, processed, and delivered pursuant to guidance from the regional OGC.
decision of the Tribe or the Secretary of Interior is not to accept the assignment of the loan	*--the authorized agency official shall:--*  <ul style="list-style-type: none"> <li>• notify the borrower using Exhibit 57</li> <li>• proceed with foreclosure action according to Part 16.</li> </ul> <b>Note:</b> Failure of the Tribe to respond to a request that the Tribe accepts an assignment of the loan, or to finalize the loan assignment transaction within the time provided in this paragraph, shall be treated as a denial of the request.

\*--The authorized agency official shall keep copies of all letters or documents sent or--\* received in the borrower’s loan file.

**537 Acceleration of Loans to American Indians With Real Estate Security on an Indian Reservation (Continued)****\*--F Authorized Agency Official or NFAOC, FaSB Responsibilities**

The authorized agency official or NFAOC, FaSB shall do the following.

- NFAOC, FaSB shall process all transactions related to the assignment of an American Indian account to a Tribe or the Secretary of Interior upon receipt of a transmittal letter from the servicing office accompanied by copies of the assignment agreement and promissory notes that are assigned.
- The servicing office transmittal letter must provide to NFAOC, FaSB the market value of the security assigned, number of acres under FSA security instruments, and amount of the annual installments to be paid by the Tribe under any ITLAP rate and term financing provided. If the Tribe pays the full assignment consideration price in cash (up front) as opposed to ITLAP rate and term financing, the servicing office transmittal letter will notify NFAOC, FaSB accordingly, including the information from the payment transmittal record.
- NFAOC, FaSB will close out the American Indian borrower's FSA loan account and--\* no further FSA servicing action will be required in cases where the Secretary of Interior accepts the assignment.
- If the Tribe has accepted the assignment of the borrower's loan and has given FSA a new FSA-2026 for the purchase of the loan, payments received by FSA on a new Tribal loan taken to pay the assignment will follow the same guidelines currently used for regular ITLAP payment processing.

**538-550 (Reserved)**

**567 Foreclosure Sale (Continued)****E Reporting on the Foreclosure Sale**

After the foreclosure sale, the authorized agency official writes a report on the sale for SED. The report should contain, at a minimum:

- name of the successful bidder
- amount of the successful bid
- recommendation on any further actions required of FSA after the sale.

SED will forward this report to OGC and/or the U.S. Attorney, as appropriate.

**568 FSA Actions After Foreclosure****A When FSA Acquires the Property**

Within 10 workdays of the date FSA acquires the property, the authorized agency official will send, by certified mail, FSA-2540 to inform the borrower of homestead protection rights if a residence is on the property. The acquisition date for real estate is the date FSA records the deed. For chattels, the date of acquisition is the date the Bill of Sale or title is executed transferring ownership to FSA.

If FSA acquires the property at the foreclosure sale, the authorized agency official completes FSA-2587 and FSA-2588 and records the information in ADPS by completing a 3E transaction for acquired property and a 5L transaction for acquired property maintenance. For property subject to redemption rights, the authorized agency official waits until the redemption period expires to record the deed and complete the ADPS transaction. The authorized agency official prepares an inventory file according to paragraph 721 when FSA records the deed. State supplements may be issued as required to comply with State law.

**B Establishing an Inventory Account**

\*--NFAOC, FaSB will establish an inventory account for all acquired property under the--\* assigned property identification number. The value of the property is the market value of the property on the date of the foreclosure sale.

## 568 FSA Actions After Foreclosure (Continued)

**C Existing Leases**

If FSA's foreclosure effort did not extinguish existing leases and if FSA acquires property while under lease, the authorized agency official:

- obtains and places a copy of the lease in the case file
- attempts to convert existing oral leases to writing on FSA-2591
- \*--establishes a lease account in NFAOC with a 1S transaction in ADPS--\*
- notifies the lessee in writing that the Government has acquired the property and where the lessee must send lease payments
- applies payments received by FSA that were due and payable before the date of FSA acquisition to any unsatisfied balance, and returns any surplus to the former borrower
- applies payments that are due and payable after the acquisition date to the lease account.

FSA does not extend the lease term and prefers not to sell property subject to a lease. FSA may discuss with the lessee the possibility of shortening or canceling the lease.

**D Crediting the Borrower's Account**

**[7 CFR 766.357(b)(2)] If the Agency acquires the foreclosed property, the Agency will credit the borrower's account in the amount of the Agency's bid except when incremental bidding was used, in which case the amount of credit will be the maximum bid that was authorized. If the Agency does not acquire the foreclosed property, the Agency will credit the borrower's account in accordance with State law and guidance from the Regional OGC.**

Accounts with real property security located within a federally recognized Indian Reservation will be credited according to paragraph 569.

**Section 3 Chattel****581 Repossession of Chattel****A Repossessing Chattel**

FSA may take possession of chattel as part of an involuntary liquidation. FSA may acquire chattel by bidding at a sale only if bidding is clearly in FSA's interest and SED approves acquisition. SED determines the bid amount and designates an authorized agency official to attend the sale. Prior lienholders are notified of the repossession, as appropriate by FSA-2572.

FSA-2571 will be completed for liquidation of chattel security by FSA or the borrower.

**B Borrower Agrees to Sell Property During Involuntary Liquidation**

If voluntary liquidation will not be delayed, the borrower may receive FSA assistance in arranging chattel liquidation and release of liability or debt settlement using FSA-2571 and \*--FSA-2732:--\*

- after the account has been accelerated
- before referral to Treasury as set forth in 7-FLP.

**C Documenting Items**

The authorized agency official documents the liquidated items on FSA-2040.

**581 Repossession of Chattel (Continued)****D Peaceably Obtaining Possession of Security**

If the borrower does not liquidate the chattel security with FSA assistance, the authorized agency official will inform the borrower of FSA's intent to repossess the property.

If the borrower consents to the repossession or does not resist FSA's efforts to collect the security, the authorized agency official will contact an auctioneer, the State Contracting Officer or other third party, as required by State policy to collect the security. The authorized agency official should coordinate logistical details with the borrower and the auctioneer including:

- where the property is located
- when the chattel should be collected
- where the chattel will be delivered.

The authorized agency official will instruct the auctioneer that if peaceful repossession cannot be obtained, the auctioneer should not attempt to collect the chattel and should report back to the authorized agency official. If the auctioneer cannot collect the security, the authorized agency official proceeds according to subparagraph E.

**E Initiating Legal Procedures**

If the borrower does not consent to the repossession, the authorized agency official forwards the borrower's case file to SED. Based on the State's procedures for handling involuntary liquidation, SED processes the case file to initiate foreclosure.

- SED may forward the case file with all relevant information and documentation to OGC and/or the U.S. Attorney.
- SED may keep the borrower's file in the State Office. In this case, SED is responsible for initiating and processing the foreclosure.

**F Borrower Abandons Property**

If the borrower abandons the property or if the security is in danger or risk of injury or degradation, the authorized agency official must act according to Part 18.

**582 (Withdrawn--Amend. 22)****583-600 (Reserved)**

## 742 Entering Into the Lease Agreement (Continued)

**B Lease Terms (Continued)**

**\*--[7 CFR 767.101(c)] (2) A maximum of 18 months to a beginning farmer or socially disadvantaged farmer the Agency selected as purchaser when no Agency loan funds--\* are available; or**

The following language will be inserted into the special stipulation section of the lease agreement for all leases under this heading:

“This lease will expire 18 months from the date of the inception of the lease or sooner should Farm Ownership funds become available before expiration of the lease. As soon as funds are available, the tenant will be expected to immediately furnish updated financial information if requested by the Agency. The sale will be expected to close within 30 calendar days of the date funds become available unless extended in writing by the Agency upon mutual agreement of both parties. The purchase price will be the price agreed to in the purchase agreement dated MM-DD-YYYY. In the case of the tenant being determined ineligible for Agency financing or being unable to present a feasible plan of operation at the time the funds become available, this lease agreement will be null and void. Any growing crops will be allowed to be removed at the normal harvest time. Any lease installments remaining to be paid for that crop year will need to be paid in full before removal of any crop. The tenant is required, as part of the lease agreement, to provide a first lien position on all crops growing or to be grown on this land equal to the amount of the rent due for the term of the lease.”

**[7 CFR 767.101(c)] (3) The shortest possible duration for all other cases subject to the following:**

**(i) The maximum lease term for such a lease is 12 months.**

**(ii) The lease is not subject to renewal or extension.**

FSA may not lease inventory property because of lengthy litigation and appeals for more than 12 months. These leases are not subject to renewal and extension. The authorized agency official must re-advertise property for lease to the general public because of lengthy litigations and appeals when a lease term ends.

**\*--When a lease term ends for a beginning farmer or socially disadvantaged farmer, the--\* authorized agency official must proceed according to Part 21.**

## 742 Entering Into the Lease Agreement (Continued)

**C Purchase Options**

**[7 CFR 767.101(g)] Only leases to a beginning farmer or socially disadvantaged famer or Homestead Protection Program participant will contain an option to purchase the property.**

FSA does not extend purchase options to a lessee who is not a beginning farmer, socially disadvantaged famer, or a Homestead Protection Program participant.

Terms of this option are included in the special stipulation section of the lease. The lease payments are not applied toward the purchase price. The purchase price is the advertised sales price as determined by an appraisal.

When a lease with an option to purchase is signed, FSA advises the lessee in writing that FSA may not be in a position to finance the purchase of the property because of lack of funding.

**D Security Deposit**

**[7 CFR 767.101(f)] The Agency may require the lessee to provide a security deposit.**

The amount of any security deposit will be determined by considering only the improvements or facilities that might be subject to misuse or abuse during the term of the lease. The amount of any required security deposit will be included in any advertisement of the property for lease.

\*--Security deposits will be remitted according to 3-FI and held by NFAOC, FaSB until the authorized agency official makes the determination to return or otherwise dispose of the security deposit.

NFAOC, FaSB will be requested by memorandum to return the deposit to the servicing--\* office for delivery to the lessee; or, if the deposit is to be retained by FSA, to apply it to the borrower's account (for custodial property) or to the inventory account, as appropriate after all appeal rights are exhausted.

## 742 Entering Into the Lease Agreement (Continued)

**E Lease Termination**

The lease may be terminated by either party upon 30 calendar day's written notice to the other party at that party's address set forth in the lease. If the property is sold subject to the lease, the new owner may terminate the lease by giving 30 calendar days notice to the lessee in the same manner, but in any event, the lessee shall retain the right to harvest any existing crops.

When a lease is terminated or when the property is sold before the expiration of the lease term, the authorized agency official notifies NFAOC, FaSB of the termination and the effective date of the termination.

The lessee may appeal this termination according to 1-APP. During the period of any appeal, the tenant will still be responsible for payment of any accumulating lease payments according to the terms of the lease that was in force before the termination.

**F Acceptable Forms of Lease Payment**

[7 CFR 767.101(d)] The lessee may pay:

(1) A lump sum;

(2) On an annual installment basis; or

(3) On a crop-share basis, if the lessee is a beginning farmer or socially disadvantaged farmer under paragraph (a) of this section.

FSA prefers lump-sum or annual installment payment methods, but may approve a farm lease on a crop-share basis for a beginning farmer or socially disadvantaged farmer if it is the customary practice in the area.

For a crop-share lease, FSA must stipulate the lease amount and terms in the special stipulations section of the lease. In this case, the lessee markets the crops, provides FSA with documented evidence of crop income, and pays FSA the pro-rata share of the income. The authorized agency official is responsible for ensuring that FSA properly accounts for crops and for collecting the lease payments.

FSA applies the proceeds from inventory property leases to the lease account.

**743 FSA Procedures for Leasing Inventory Real Property****A Preparing the Lease Agreement**

The authorized agency official uses FSA-2591 or another form approved by OGC to lease property.

**B Establishing a Lease Account**

\*--On receipt of an inventory property lease, NFAOC, FaSB establishes a lease account in--\* the lessee's name. In servicing the lease account, the authorized agency official may establish or remove a suspend code from a lease record by completing FSA-2587 according to the instructions.

**C Management of Leased Inventory Property**

**[7 CFR 767.103] (a) The Agency will pay for repairs to leased real estate inventory property only when necessary to protect the Agency's interest.**

**(b) If the lessee purchases the real estate inventory property, the Agency will not credit lease payments to the purchase price of the property.**

Generally, FSA pays only for repairs, such as replacing broken fixtures or repairing a leaking roof. FSA does not pay operating costs associated with leased inventory property.

When necessary, FSA may use management services, in addition to a lease to fully protect FSA's interest in a property. In all cases, the authorized agency official makes a determination of what types of services are needed and obtains prior written approval from SED.

**744 Leasing Other Types of Properties****A Lease of Inventory Nonreal Estate Property**

**[7 CFR 767.102] The Agency does not lease non-real estate property unless it is attached as a fixture to inventory real property that is being leased and it is essential to the farming operation.**

**B Lease of Custodial Property**

If FSA cannot acquire title to custodial property in a timely manner, the authorized agency official may lease the property upon concurrence from the National Office.

**745-775 (Reserved)**

**777 Exceptions to General Policies****A Property Leased to Beginning Farmers or Socially Disadvantaged Farmers**

**[7 CFR 767.152] The Agency's disposition procedure under § 767.151 (paragraph 776) is subject to the following:**

**(a) If the Agency leases inventory real property to a beginning farmer or socially disadvantaged farmer in accordance with § 767.101(a)(2) (subparagraph 741 A), and the lease expires, the Agency will not advertise the property if the beginning farmer or socially disadvantaged farmer is approved to purchase the property and the Agency has direct or guaranteed loan funds available to finance the transaction.**

If the selected beginning farmer or socially disadvantaged farmer develops a feasible plan and FSA funding is not available to close the sale, then the authorized agency official will lease the property to the beginning farmer or socially disadvantaged farmer according to Part 20.

If the beginning farmer or socially disadvantaged farmer chooses not to enter into a lease, the property will be offered to the next person on the list of eligible applicants.

**B Homestead Protection Notification**

**[7 CFR 767.152(b)] The Agency will not advertise a property for sale until the Homestead Protection rights have terminated in accordance with part 766, subpart D (Part 7) of this chapter.**

Before the authorized agency official initiates the sale of the property, the authorized agency official verifies and documents in the file that FSA has properly notified the borrower of their homestead protection rights and these rights have expired according to Part 7.--\*

**C Conservation Easements or Environmental Contamination Reviews**

**[7 CFR 767.152(c)] The Agency may allow an additional 60 days if needed for conservation easements or environmental reviews.**

Before initiating the sale of inventory property, the authorized agency official acts according to Part 22 to protect environmental and cultural resources.

## 777 Exceptions to General Policies (Continued)

**D Negative Effect on Value of Farms**

**[7 CFR 767.152(e)] If Agency analysis of farm real estate market conditions indicates the sale of Agency farm inventory property will have a negative effect on the value of farms in the area, the Agency may withhold inventory farm properties in the affected area from the market until further analysis indicates otherwise.**

\*--SED conducts this analysis as often as necessary based on market conditions. SED--\* notifies, through an FLP notice, the appropriate Field Offices servicing those areas that are restricted from selling inventory property.

**E American Indian Borrower**

**[7 CFR 767.152(d)] If the property was owned by an American Indian borrower and is located on an Indian reservation, the Agency will:**

**(1) No later than 90 days after acquiring the property, offer the opportunity to purchase or lease the property in accordance with:**

**(i) The priorities established by the Indian Tribe having jurisdiction over the Indian reservation;**

**(ii) In cases where priorities have not been established, the following order:**

**(A) A member of the Indian Tribe that has jurisdiction over the Indian reservation;**

**(B) An Indian entity;**

**(C) The Indian Tribe.**

**(2) Transfer the property to the Secretary of the Interior if the property is not purchased or leased under paragraph (1) of this section.**

**803 Wetland Conservation Easements****A General Policy**

**\*--[7 CFR 767.201] In addition to the requirements established in part 799 of this chapter, the following apply to inventory property with important resources:--\***

**(a) The Agency will establish permanent wetland conservation easements to protect and restore certain wetlands that exist on inventory property prior to the sale of such property, regardless of whether the sale is cash or credit.**

If possible, FSA should begin reviewing the property for potential easements before FSA takes the property into inventory to complete the process before the 135-calendar-day statutory time requirement for selling inventory property expires.

**B Property on Which Easements Must Be Established**

**[7 CFR 767.201(a)(1)] The Agency establishes conservation easements on all wetlands or converted wetlands located on inventory real property that:**

**(i) Were not considered cropland on the date the property was acquired by the Agency; and**

**(ii) Were not used for farming at any time during the 5 years prior to the date of acquisition by the Agency.**

**(A) The Agency will consider property to have been used for farming if it was used for agricultural purposes including, but not limited to, cropland, pastures, hayland, orchards, vineyards, and tree farming.**

**(B) In the case of cropland, hayland, orchards, vineyards, or tree farms, the Agency must be able to demonstrate that the property was harvested for crops.**

**(C) In the case of pastures, the Agency must be able to demonstrate that the property was actively managed for grazing by documenting practices such as fencing, fertilization, and weed control.**

**803 Wetland Conservation Easements (Continued)****C Determining the Size and Boundaries of Easements**

After FSA has determined whether the wetlands or converted wetlands were used for farming, FSA contacts FWS.

- FSA consults with FWS to determine the size and boundaries of the easement area required to protect the identified wetlands.
- FSA requests FWS to make recommendations for protecting important environmental resources such as threatened or endangered species during this review.
- FSA requests FWS to make a determination within 30 calendar days. FWS may take longer if threatened or endangered species are involved.

FSA describes easement areas according to State or local law. If State or local law does not require a survey, the easement area can be described by rectangular survey, plat map, or other recordable methods.

**D Providing Access to Other Portions of the Property**

**[7 CFR 767.201(a)(2)] The wetland conservation easement will provide for access to other portions of the property as necessary for farming or other uses.**

**E Easement Management**

FWS is responsible for easement management and administration unless either:

- the wetland easement area is an inholding in Federal or State property and the Federal or State entity agrees to assume management responsibilities
- a State fish and wildlife agency having counterpart responsibilities to FWS is willing to assume easement management responsibilities
- FSA assumes management responsibilities because no other agency is willing to do so.

The agency that assumes easement management is responsible for the costs associated with easement management and administration.

**Section 3 Inventory Real Property Containing Environmental Risks****836 Overview****A General Policy**

FSA will take necessary precautions with inventory property containing environmental risks to minimize FSA liability under the law and to minimize risk to human health and the environment. FSA will comply with Federal, State, and local laws about the management and sale of property with environmental risks.

**B Definition of Environmental Risks**

FSA considers the following to be environmental risks:

- hazardous waste
- petroleum products and underground storage tank systems
- medical waste
- lead-based paints
- asbestos.

**C Determining Whether Inventory Property Contains Environmental Risks**

\*--See 2-EQ for guidance on identifying property containing environmental risks.--\*

**837 Environmental Risk Management**

**A General Policy**

FSA will comply with all applicable Federal and State laws.

FSA will consult with the appropriate environmental regulatory authority to determine State requirements.

When FSA will advertise the property for sale, the sales price of the property is the “as improved value” as determined by an appraisal.

When the property is being sold back to the former owner-borrower, FSA will not undertake corrective action.

See paragraphs 838, 839, and 840 for guidance on remediation of specific environmental risks.

**B Notifying Prospective Purchasers and/or Lessees of Environmental Risks and Establishing Use Restrictions**

FSA informs prospective purchasers at the time of first inquiry and in any notice of public sale that the property contains environmental risks and, therefore, may be subject to possible use restrictions.

See Exhibits 74 and 75 for guidance on preparing the deed and easement. SEC consults the National Office as needed.

**838 Properties Containing Hazardous Waste****A Clean-Up of Hazardous Waste and/or Underground Storage Tank System Contamination**

For inventory real properties containing hazardous waste and underground storage tank systems, FSA will **not** conduct cleanup or take corrective actions unless:

- any known contamination or underground storage tank leakage presents an immediate threat to the health and safety of neighboring property owners or potential purchasers of the property
- FSA is selling the property to a beginning farmer or socially disadvantaged farmer and providing credit assistance through direct or guaranteed loans.

Because FSA does not know at the time of the appraisal if the property will be sold to a beginning farmer or socially disadvantaged farmer, FSA must request the appraiser to determine both the **as is** and **as improved** market value of the property.

**B Liability for Remediation Under the Resource Conservation and Recovery Act**

\*--See 2-EQ for information on liability for remediation under the Resource Conservation--\* and Recovery Act.

**839 Properties Containing Underground Storage Tank Systems or Petroleum Products****A General Requirements**

FSA will **not** allow the use of underground storage tank systems on leased inventory properties.

\*--See 2-EQ for guidance on properties containing underground storage tank systems.--\*

**B Corrective Action**

For inventory real properties containing hazardous waste and underground storage tank systems, FSA will not conduct cleanup or take corrective actions unless:

- any known contamination or underground storage tank leakage presents an immediate threat to the health and safety of neighboring property owners or potential purchasers of the property
- FSA is selling the property to a beginning farmer or socially disadvantaged farmer and providing credit assistance through direct or guaranteed loans.

SEC consults with the Regional OGC and the appropriate environmental regulatory authority to determine whether State laws or regulations require corrective action.

Because FSA does not know at the time of the appraisal if the property will be sold to a beginning farmer or socially disadvantaged farmer, FSA must request the appraiser to determine both the **as is** and **as improved** market value of the property. See 1-FLP, Part 6 for further guidance on appraisals.

**840 Properties Containing Medical Waste, Lead-Based Paint, or Asbestos**

**A General Requirements**

\*--See 2-EQ for guidance on properties containing medical waste, lead-based paint, or--\* asbestos.

**841 Real Property That Is Unsafe**

**A General Requirements**

If FSA has real property in its inventory that is unsafe because of reasons not addressed in \*--this part or in 2-EQ and which cannot feasibly be made safe, SED submits the case file,--\* documentation of the hazard, and a recommended course of action to the National Office for review and guidance.

**842-900 (Reserved)**



**904 Property ID Numbers**

**A Assigning Property ID Numbers**

Inventory property ID numbers cannot be duplicated. FSA should use the State and county codes along with 5 additional digits. The last 5 digits must be consecutively numbered within the range of 00001-00499.

Since the property ID numbers include the State and county codes, the same last 5 digits in the number can be used by all counties within the State.

**B FIPS Code Clarification**

\*--The State and county codes are the non-FIPS numbers used for all NFAOC purposes, not--\*  
the FIPS State and county codes used in former ASCS coding.

**905 ADPS 3E Transactions****A Processing ADPS 3E Transaction for Acquisitions**

The ADPS 3E transaction for acquiring property is a combined transaction that affects both a borrower's FSA and RD account. Therefore, anytime property is acquired by FSA or RD \*--from a borrower that has an FSA and RD loan, NFAOC, FaSB must process the ADPS--\* 3E transaction. This is the case even if the property is not cross-collateralized. Under no circumstances can a property be acquired jointly.

**B Acquiring Agency Action**

When property is acquired by FSA or RD from a borrower who has both an FSA and RD loan, the acquiring agency shall:

- determine agencies' proportionate share using Exhibit 79 only if the 2 agencies share the lien position

**Note:** The lien position is shared by both FSA and RD when the FSA and RD loans were made at the same time, or the security was taken at the same time, and included on the same mortgage or deed of trust.

- complete Exhibit 80
- \*--FAX a copy of Exhibit 79, if applicable, and Exhibit 80 to NFAOC, FaSB (1-FLP, subparagraph 5 B).--\*

**Note:** If the security is cross-collateralized, a copy of Exhibits 79 and 80 shall also be sent to the nonacquiring agency.

**906-949 (Reserved)**

**Part 24 (Withdrawn--Amend. 34)**

**950-955 (Withdrawn--Amend. 34)**

**956 (Withdrawn--Amend. 30)**

## Reports, Forms, Abbreviations, and Redelegations of Authority

### Reports

This table lists all required reports in this handbook.

Reports Control Number	Title	Reporting Period	Submission Date	Negative Reports	Reference
	Statute of Limitations	Quarterly	5th of each month	No	126

### Forms

This table lists the forms referenced in this handbook.

Number	Title	Display Reference	Reference
AD-1026	Highly Erodible Land Conservation (HELIC) and Wetland Conservation (WC) Certification		81
FSA-137	Address Information Request		67, 386
FSA-2001	Request for Direct Loan Assistance		81, 344
FSA-2002	Three-Year Financial History		81
FSA-2003	Three-Year Production History		81
FSA-2025	Notice of Approval, Terms and Conditions and Borrower Responsibilities		346
FSA-2026	Promissory Note		Text
FSA-2027	Supplemental Payment Agreement		161
FSA-2029	Mortgage/Deed of Trust		Text
FSA-2037	Farm Business Plan Worksheet Balance Sheet		81
FSA-2038	Farm Business Plan Worksheet Projected/Actual Income and Expenses		81
FSA-2040	Agreement and Record of the Disposition of FSA Security/Release of Proceeds		464, 465, 581, 582
FSA-2060	Application for Partial Release, Subordination, or Consent		462, 463
FSA-2070	Bill of Sale		516, 517, 519
FSA-2080	Release From Personal Liability		84
FSA-2489	Assumption Agreement		Text
FSA-2501	Addendum to the Promissory Note or Assumption Agreement for the Disaster Set-Aside Program		44-46, 48

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

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2510	Notice of Availability of Loan Servicing to Borrowers Who Are 90 Days Past Due		3, 67, 83, 85, 405, 702
FSA-2511	Borrower Response to Notice of the Availability of Loan Servicing		81, 405, 702
FSA-2512	Notice of Availability of Loan Servicing to Borrowers Who Are Current, Financially Distressed, or Less Than 90 Days Past Due		3, 67, 68, 85, 102
FSA-2513	Borrower Response to Notice of the Availability of Loan Servicing		81
FSA-2514	Notice of Availability of Loan Servicing to Borrowers Who Are in Non-Monetary Default		3, 67, 68, 83, 85, 444, 702
FSA-2515	Borrower Response to Notice of the Availability of Loan Servicing for Borrowers Who Received Form FSA-2514		81, 444, 702
FSA-2516	30 Day Reminder of the Notice of Availability of Loan Servicing		83
FSA-2517	Offer of Primary Loan Servicing for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116
FSA-2518	Acceptance of Primary Loan Servicing for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116
FSA-2519	Offer of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116
FSA-2520	Acceptance of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116
FSA-2521	Denial of Primary Loan Servicing and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116, 229, 322
FSA-2522	Borrower Response to Denial of Primary Loan Servicing and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116, 229, 322

## 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	Request for Nonmonetary Default Determination		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, Ex. 11
FSA-2569	Warranty Deed		408, 496-499
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		551, 567, 568, 582, 604
FSA-2580	Primary Loan Servicing and Preacquisition Homestead Protection 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
FSA-2716	Notice Advising of Potential Referral to Treasury for Cross-Servicing and the Availability of Debt Settlement		Ex. 48
FSA-2717	Notice Advising of Potential Referral to Treasury for Cross-Servicing		Ex. 48
FSA-2731	Cancellation of Debt Without Application		406, 407, 409
FSA-2732	Debt Settlement Application (RD-1956-1 Application for Settlement of Indebtedness)		81

## 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 3550-28	Authorization Agreement for Preauthorized Payments		50

## 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
eDALR\$	electronic Debt and Loan Restructuring System	Text, Ex. 17
FAP	Foreclosure Action Pending	567, Ex. 11
FaSB	Farm Service Branch	Text, Exhibit 80
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	67, 68, 401, Ex. 11
PRB	Program Reports Branch	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  <b>Note:</b> 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  <b>Note:</b> 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 FSA-2732.	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.

## Definitions of Terms Used in This Handbook (Continued)

### Due Diligence

Due diligence is the process of reasonably evaluating real estate for the presence of contamination from hazardous waste, petroleum products, or other environmental risks, and determining what effect, if any, the contamination has on the regulatory status or security value of the property and any remedial actions needed.

### Easement

An easement is an interest in land owned by another that entitles its holder to a specific limited use or enjoyment.

### \*--Embedded Entity

**Embedded entity means entity that has a direct or indirect interest, as a stockholder, member, beneficiary or otherwise, in an entity.--\***

### Entity

**Entity means a corporation, partnership, joint operation, cooperative, limited liability company, or trust.**

### \*--Entity Member

An entity member means all individuals and all embedded entities, as well as the individual members of the embedded entities, having an ownership interest in the assets of the entity.--\*

### Environmental Professional

An Environmental Professional is a non-FSA professional who possesses the technical and scientific credentials necessary to conduct due diligence evaluations, and from the information gathered through such evaluations, develop conclusions regarding potential environmental contamination. In addition, an environmental professional will be able to provide technical oversight, direction, and management of response actions pursuant to CERCLA and RCRA.

### Environmental Risks

Environmental risks include hazardous waste, petroleum products and underground storage tanks, medical waste, lead-based paint, and asbestos.

### Equity

Equity is the money value of a property or of an interest in a property in excess of claims or liens against that property.

### Essential Buildings

Essential buildings are the borrower's dwelling and any other buildings necessary for the farm operation to assure the repayment of the loan.

**Definitions of Terms Used in This Handbook (Continued)****Essential Family Living and Farm Operating Expenses****Essential family living expenses:**

- (1) Are those that are basic, crucial or indispensable.
- (2) Are determined by the Agency based on the following considerations:
  - (i) The specific borrower's operation;
  - (ii) What is typical for that type of operation in the area; and
  - (iii) What is an efficient method of production considering the borrower's resources.
- (3) Include, but are not limited to, essential: household operating expenses; food, including lunches; clothing and personal care; health and medical expenses, including medical insurances; house repair and sanitation; school and religious expenses; transportation; hired labor; machinery repair; farm building and fence repair; interest on loans and credit or purchase agreement; rent on equipment, land, and buildings; feed for animals; seed, fertilizer, pesticides, herbicides, spray materials and other necessary farm supplies; livestock expenses, including medical supplies, artificial insemination, and veterinarian bills; machinery hire; fuel and oil; taxes; water charges; personal, property and crop insurance; auto and truck expenses; and utility payments.

**False Information**

**False information** is information provided by an applicant, borrower or other source to the Agency that the applicant or borrower knows to be incorrect.

**Family Living Expenses**

**Family living expenses** are the costs of providing for the needs of family members and those for whom the borrower has a financial obligation, such as alimony, child support, and care expenses of an elderly parent.

**Definitions of Terms Used in This Handbook (Continued)****Farm**

**Farm** is a tract or tracts of land, improvements, and other appurtenances that are used or will be used in the production of crops, livestock, or aquaculture products for sale in sufficient quantities so that the property is recognized as a farm rather than a rural residence. The term “farm” also includes the term “ranch.” It may also include land and improvements and facilities used in a non-eligible enterprise or the residence which, although physically separate from the farm acreage, is ordinarily treated as part of the farm in the local community.

**Farm Income**

**Farm income** is the proceeds from the sale of agricultural commodities that are normally sold annually during the regular course of business, such as crops, feeder livestock, and other farm products.

**Feasible Plan**

**Feasible plan** is when an applicant or borrower's cash flow budget or farm operating plan indicates that there is sufficient cash inflow to pay all cash outflow. If a loan approval or servicing action exceeds one production cycle and the planned cash flow budget or farm operating plan is atypical due to cash or inventory on hand, new enterprises, carryover debt, atypical planned purchases, important operating changes, or other reasons, a cash flow budget or farm operating plan must be prepared that reflects a typical cycle. If the request is for only one cycle, a feasible plan for only one production cycle is required for approval.

**Financially Distressed**

**Financially distressed borrower** is a borrower unable to develop a feasible plan for the current or next production cycle.

**First Year Plan**

A **first year plan** is the borrower's operating plan for the first year of the deferral term.

**Definitions of Terms Used in This Handbook (Continued)****Fixture**

**Fixture** is an item of personal property attached to real estate in such a way that it cannot be removed without defacing or dismantling the structure, or damaging the item itself.

**Floodplains**

**Floodplains** are lowland and relatively flat areas adjoining inland and coastal waters, including flood-prone areas of offshore islands, including at a minimum, that area subject to a one percent or greater chance of flooding in any given year. The base floodplain shall be used to designate the 100-year floodplain (one percent chance floodplain). The critical floodplain is defined as the 500-year floodplain (0.2 percent chance floodplain).

**Foreclosed**

**Foreclosed** is the completed act of selling security either under the power of sale in the security instrument or through judicial proceedings.

**Foreclosure Sale**

**Foreclosure sale** is the act of selling security either under the power of sale in the security instrument or through judicial proceedings.

**Former Borrower**

A **former borrower** is a borrower who no longer has loans with FSA but may still be obligated \*--to FSA because of a security obligation, such as a Shared Appreciation Agreement, or have--\* continuing rights, such as homestead protection rights.

**Good Faith**

**Good faith** is when an applicant or borrower provides current, complete, and truthful information when applying for assistance and in all past dealings with the Agency, and adheres to all written agreements with the Agency including, but not limited to, loan agreement, security instruments, farm operating plans, and agreements for use of proceeds. The Agency considers a borrower to act in good faith, however, if the borrower's inability to adhere to all agreements is due to circumstances beyond the borrower's control. In addition, the Agency will consider fraud, waste, or conversion actions, when substantiated by a legal opinion from OGC, when determining if an applicant or borrower has acted in good faith.

**Definitions of Terms Used in This Handbook (Continued)****Judgment Account**

A judgment account is an account established by a lender after a foreclosure judgment is obtained through a legal process. The account is established to accrue interest and other fees or costs according to the judgment order.

**Junior Lien**

A junior lien is a lien that has been filed behind, or is otherwise subordinate to, another lien on the same item of security.

**Lien**

**Lien is a legally enforceable claim against real or chattel property of another obtained as security for the repayment of indebtedness or an encumbrance on property to enforce payment of an obligation.**

**Limited Resource Rate**

**Limited resource interest rate is an interest rate normally below the Agency's regular interest rate, which is available to applicants unable to develop a feasible plan at regular rates and are requesting:**

- (1) FO or OL loan assistance under part 764 of this title; or**
- (2) Primary loan servicing on an FO, OL, or SW loan under part 766 of this title.**

**Liquidated**

**\*--Liquidated is the completed act of selling security pledged as collateral.--\***

**Definitions of Terms Used in This Handbook (Continued)****Liquidation**

**Liquidation is the act of selling security for recovery of amounts owed to the Agency or lender.**

Liquidation begins when no further assistance will be given; and includes instituting civil suit against a borrower to recover security or Economic Opportunity property or against third parties to recover security or its value or to recover amounts owed to the Agency; filing claims in bankruptcy or similar proceedings or in probate or administrative proceedings.

**Liquidation Expenses**

**Liquidation expenses are the costs of an appraisal, due diligence evaluation, environmental assessment, outside attorney fees, and other costs incurred as a direct result of liquidating the security for a direct or guaranteed loan. Liquidation expenses do not include internal Agency expenses for a direct loan or in-house expenses for a guaranteed loan.**

**Loan Agreement**

**Loan Agreement is a contract between the borrower and the lender that contains certain lender and borrower agreements, conditions, limitations, and responsibilities for credit extension and acceptance.**

**Loan Servicing Programs**

**\*--Loan servicing programs include any primary loan servicing program, conservation--\* contract, current market value buyout, and homestead protection.**

**Market Value**

**Market value is the amount that an informed and willing buyer would pay an informed and willing, but not forced, seller in a completely voluntary sale.**

**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 Value**

**Net recovery value of Agency security 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.**

**Net recovery value of non-essential assets 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.**

**Definitions of Terms Used in This Handbook (Continued)****Non-Essential Assets**

**Non-essential assets** are assets in which the borrower has an ownership interest, that:

**(1) Do not contribute to:**

**(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 nonmonetary default 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.

**Note:** Failure to complete required borrower training is **not** nonmonetary default. See 3-FLP, subparagraph 474 C.

**Non-Program (Assistance) Loan**

**Non-program loan** 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.

**Nonrecoverable Costs**

Nonrecoverable costs are contractual or noncontractual program loan cost expenses that are incurred by the Agency to maintain property or protect the Agency's interest, but are not chargeable to a borrower or property account. These costs are not added to the outstanding debt owed by the borrower.

**Normal Income Security**

**Normal income security** is all security not considered basic security, including crops, livestock, poultry products, other property covered by Agency liens that is sold in conjunction with the operation of a farm or other business, and FSA Farm Program payments.

## Definitions of Terms Used in This Handbook (Continued)

### Note

A note is written evidence of indebtedness, such as a promissory note, or assumption agreement.

### Notification of Meeting of Creditors

A Notification of Meeting of Creditors is usually the first notice to a creditor that a bankruptcy has been filed. It allows opportunity for creditors to establish their claims against the debtor and preserve their interest in security, as applicable. It provides the date by which the claim must be filed.

### Office of the General Counsel (OGC)

Office of the General Counsel (OGC) is the OGC of the U.S. Department of Agriculture. Unless otherwise indicated, OGC refers to the Regional Attorney or Attorney-in-Charge in an OGC Field Office.

### \*--Operator

**Operator is the individual or entity that provides the labor, management, and capital to operate the farm. The operator can be either an owner-operator or tenant-operator. Under applicable State law, an entity may have to receive authorization from the State in which the farm is located to be the owner and/or operator of the farm. Operating-only entities may be considered owner-operators when the individuals who own the farm real estate own at least 50 percent of the family farm operation.**

**Note:** Operators include borrowers who obtained individual loans and later formed an operating only entity with a relative. If the member with the individual loan owns at least 50 percent of the operating entity, the individual meets the definition of operator for all loan servicing and disaster set asides.

**Example:** An individual obtains an FO and later forms an operating-only entity with a relative and obtains an OL for the same operation. The individual then needs servicing for the individual FO. In these cases, if the individual owns at least 50 percent of the operating entity, the definition of operator is met.

Borrowers who obtained individual loans and later formed an operating-only entity with a non-relative must have the entity assume the debt to be eligible for loan servicing, as provided in 4-FLP, subparagraph 248 C. However, transfer of the collateral to the entity is not required.

In either of these circumstances the operating entity must have their own unique tax ID number.--\*

## Definitions of Terms Used in This Handbook (Continued)

### Participation

Participation is a loan arrangement where a primary or lead lender is typically the lender of record but the loan funds may be provided by 1 or more other lenders due to loan size or other factors. Typically, participating lenders share in the interest income or profit on the loan based on the relative amount of the loan funds provided after deducting the servicing fees of the primary or lead lender.

### Past Due

**Past due is when a payment is not made by the due date.**

### Petition in Bankruptcy

A petition in bankruptcy is a document filed in Bankruptcy Court that formally begins the bankruptcy process. The filing of the petition in bankruptcy invokes the automatic stay.

### Plan of Reorganization

A plan of reorganization is a plan submitted by the debtor that outlines how the debtor intends to preserve security interests and plans to repay creditors and terms of performance. This process may be repeated until agreement of the parties is reached.

### Post-Acquisition Homestead Protection

Post-acquisition homestead protection is when a borrower applies for homestead protection after FSA obtains title to the real estate security for the borrower's loan.

### Post-Deferral Plan

A Post-Deferral Plan is a plan projecting the borrower's operations for the year following the deferral period.

### Potential Liquidation Value

**Potential liquidation value is the amount of a lender's protective bid at a foreclosure sale. Potential liquidation value is determined by an independent appraiser using comparables from other forced liquidation sales.**

### Pre-Acquisition Homestead Protection

Pre-acquisition homestead protection is when a delinquent borrower applies for homestead protection and it appears that a feasible plan to address the delinquency cannot be developed through primary loan servicing. The Authorized Agency Official begins processing the borrower's request but does not approve homestead protection until FSA obtains title to the property.

**Definitions of Terms Used in This Handbook (Continued)****Present Value**

**Present value** is the present worth of a future stream of payments discounted to the current date.

\* \* \*

**Primary Loan Servicing Programs**

**Primary loan servicing programs** include:

- (1) Loan consolidation and rescheduling, or reamortization;
- (2) Interest rate reduction, including use of the limited resource rate program;
- (3) Deferral;
- (4) Write-down of the principal or accumulated interest; or
- (5) Any combination of the above.

**Prior Lien**

A **prior lien** is a lien that is recorded in front of, or is otherwise superior to, an FSA lien on the same security. The individual or entity that has filed this lien is the prior lienholder.

**Program Loans**

**Program loans** include CL, FO, OL, and EM. In addition, for loan servicing purposes the term includes existing loans for the following programs no longer funded: SW, RL, EE, ST, and RHF.

**Program Property**

**Program property** is inventory property that can be used to effectively carry out the objectives of their respective loan programs with financing through that program.

**Proof of Claim**

A **Proof of Claim** is a legal document filed with the bankruptcy court that indicates a security interest on the proof of claimant. The court uses Proof of Claims to establish priority of claims, necessity for adjustment of debt and repayment of plans. A proof of claim is filed through OGC and provides information regarding FSA debt related security and instruments.

## Definitions of Terms Used in This Handbook (Continued)

### Protective Advance

A **Protective advance** is an advance made by the Agency or a lender to protect or preserve the collateral itself from loss or deterioration. A protective advance may be used for purposes, including but not limited to the following:

- delinquent taxes
- annual assessments
- ground rents
- hazard or flood insurance premiums against or affecting the collateral
- harvesting costs
- other expenses needed for emergency measures to protect the collateral.

### Reaffirm Debt

To reaffirm debt requires the debtor's voluntary re-obligation of debt in its original form.

### Reamortization

**Reamortization** is the rewriting of rates or terms, or both, of a loan made for real estate purposes.

### Recapture

Recapture is the amount that the Agency or a lender is entitled to recover from a direct or guaranteed loan borrower in consideration for the Agency or the lender writing down a portion of their direct or guaranteed loan debt when that loan was secured by real estate and that real estate increases in value. Recapture also includes the act of collecting shared appreciation.

### Reconsideration

Reconsideration is a meeting with the Authorized Agency Official that is offered to a borrower who has received an adverse decision. The borrower may present new information at this meeting.

### Recoverable Cost

**\*-Recoverable cost is a loan cost expense chargeable to either a borrower or property--\***  
account.

**Definitions of Terms Used in This Handbook (Continued)****Redemption Right**

**Redemption right is a Federal or state right to reclaim property for a period of time established by law, by paying the amount paid at an involuntary sale plus accrued interest and costs.**

**Related by Blood or Marriage**

**Related by blood or marriage is being connected to one another as husband, wife, parent, child, brother, sister, uncle, aunt, or grandparent.**

**\*--Relative**

**Relative is the spouse and anyone having one of the following relationships to an applicant or borrower: parent, son, daughter, sibling, stepparent, stepson, stepdaughter, stepbrother, stepsister, halfbrother, halvesister, uncle, aunt, nephew, niece, cousin, grandparent, grandson, granddaughter, or the spouses of the foregoing.--\***

**Repossessed Property**

**Repossessed property is security property in the Agency's custody.**

**Rescheduling**

**Rescheduling is the rewriting of the rates or terms, or both, of a loan made for operating purposes.**

**Restructuring**

**Restructuring is the process of changing the terms of a debt through rescheduling, reamortization, deferral, writedown, or a combination thereof.**

**Right-of-Way**

A right-of-way is a legal right of passage over another person or entity's land.

**Sealed Bid Sale**

A sealed bid sale is a public sale in which property is offered to the highest bidder by prior written bid submitted in a sealed envelope.

**Security**

**Security is property or right of any kind that is subject to a real or personal property lien. Any reference to "collateral" or "security property" will be considered a reference to the term "security."**

**Definitions of Terms Used in This Handbook (Continued)****Security Instrument**

**Security Instruments** includes any document giving the Agency a security interest on real or personal property.

**Shared Appreciation Agreement**

A **Shared Appreciation Agreement** is an agreement between the Agency, or a lender in the case of a guaranteed loan, and a borrower on the appropriate Agency form that requires the borrower who has received a writedown on a direct or guaranteed loan secured by real estate to repay the Agency or the lender some or all of the writedown received, based on a percentage of any increase in the value of the real estate securing an SAA at a future date.

**Socially Disadvantaged Applicant or Farmer**

A **socially disadvantaged applicant or farmer** is an individual or entity who is a member of a socially disadvantaged group. For an entity, the majority interest must be held by socially disadvantaged individuals. For married couples, the socially disadvantaged individual must have at least 50 percent ownership in the farm business and make most of the management decisions, contribute a significant amount of labor, and generally be recognized as the operator of the farm.

**Socially Disadvantaged Group**

A **socially disadvantaged group** is a group whose members have been subject to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities. These groups consist of: American Indians or Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics, and women.

**Special Hazard Area**

**Special Hazard Area** is a mudslide hazard area, a special flood area, or an earthquake area.

**Subordination**

**Subordination** is a creditor's temporary relinquishment of all or a portion of its lien priority to another party providing the other party with a priority lien on the collateral.

**Subsequent Loan**

**Subsequent loan** is any FLP loan processed by the Agency after an initial loan of the same type has been made to the same borrower.

**Notice of Intent to Foreclose on Your Property Serving as Security for the United States of  
\*--America and Acceleration of Your Loan Accounts After Chapter 7 Discharge--\***

**Note:** Exhibit 50 is available in a fillable format at  
<http://fsaintranet.sc.gov.usda.gov/dam/ffasforms/currentforms.asp> CLICK “FFAS  
Employee Forms/Publications Site” and CLICK “Find Current Forms Using Our Form  
Number Search”. For “Form Number”, ENTER “5-FLP Exhibit 50”.

\*--

5-FLP, Exhibit 50

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

(Use Agency Letterhead format with local return address.)

CERTIFIED MAIL

[Date]

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

**NOTICE OF INTENT TO FORECLOSE ON YOUR PROPERTY SERVING AS  
SECURITY FOR THE UNITED STATES OF AMERICA AND ACCELERATION  
OF YOUR LOAN ACCOUNTS**

Dear (Borrower):

The United States of America intends to enforce its (real estate mortgages, deeds of trust, security agreements, etc.) given or assumed by you as security for your loans. The security instruments referred to above as described below were perfected as follows:

Security Instrument	Date	Recording Office	Recording Information

The security instruments executed by you in favor of the UNITED STATES are not affected by a discharge in bankruptcy and the security can still be foreclosed upon or liquidated to satisfy the secured debt, although a discharge under the Bankruptcy Code does render any debt discharged unenforceable as your personal obligation. If the proceeds from the sale are not sufficient to pay off the debt, the UNITED STATES will not seek a personal judgment against you for any deficiency. This letter is not intended as an act to collect or recover any debt from you for which your personal obligation has been discharged, but rather is intended to inform you that the UNITED STATES intends to collect as much of the secured debt as possible from the property which serves as security for the loans made to you. In order to do so, it is necessary for your loans to be accelerated. Therefore, pursuant to the terms of the debt instruments, the United States is now exercising its option to declare your entire debt immediately due and payable. **Any Farm Loan Programs family living and farm operating expenses which you may be receiving are hereby terminated.**

The reasons for taking this action are as follows:

[If the loan account is in monetary default, list this as one reason for accelerating. If the loan account is not in monetary default, OGC must advise. ]

--\*

**Notice of Intent to Foreclose on Your Property Serving as Security for the United States of  
\*--America and Acceleration of Your Loan Accounts After Chapter 7 Discharge (Continued)**

5-FLP, Exhibit 50

The debt instruments are described as follows:

Debt Instrument	Date of Instrument	Original Amount

The UNITED STATES will not file its foreclosure action or liquidate its security, under the authority granted in the above-described instruments, for 30 days. During that period you may purchase the property for the market value, which the Farm Service Agency has appraised to be \$\_\_\_\_\_. Payment should be made by cashier's check, certified check, or postal money order payable to the Farm Service Agency and delivered to the county official at \_\_\_\_\_.

\*You may not stop the foreclosure by paying an amount less than the market value.

\*\* The above-described security instruments provide 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.

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 inquires, 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.

\*This sentence can only be used with the approval of the Regional OGC.

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

--\*







