

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

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

Amendment 63

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 4 C has been amended to clarify when liquidation appraisal alternatives may be appropriate.

Subparagraph 41 A has been amended to add that hard copies of DSA notifications must be posted in service centers and provided to borrowers upon request.

Subparagraph 46 A has been amended to clarify wording.

Subparagraph 54 B has been amended to provide clarification on DBSA eligibility for restructured loans.

Subparagraph 55 A has been amended to clarify wording.

Subparagraph 65 A has been amended to include references to unauthorized assistance.

Subparagraph 67 B has been amended to remove the flowchart fix.

Subparagraph 67 C has been amended to cross-reference 7-FLP.

Subparagraph 84 A has been amended to clarify compliance for release of liability.

Subparagraph 84 B has been amended to add a reference for non-monetary default.

Subparagraph 84 C has been added to address release of liability for borrowers in non-monetary default on loan agreements.

Paragraph 128 and Exhibit 12 have been withdrawn because the process for changing installment due dates is being reinstated and will be available in a future amendment.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 129 C has been amended to address timely processing for requests for extension of maturity dates for loans with balloon payments.

Subparagraph 132 A has been amended to clarify that consolidation should be used whenever possible to preserve loan numbers.

Subparagraph 159 C has been amended to address when the first year plan is feasible but the post-deferral plan is not feasible.

Subparagraph 195 C has been amended to modify conservation contract review team requirements.

Subparagraph 226 A has been amended to clarify approval authority for servicing actions.

Subparagraph 231 E has been amended to cross-reference 1-APP and 1-FLP for withdrawing adverse decisions.

Subparagraphs 281 A has been amended to remove a note.

Subparagraph 321 A has been amended to add clarification for \$0.00 buyouts.

Subparagraph 321 B has been amended to cross-reference 1-FLP and 3-FLP.

Subparagraph 322 D has been amended to remove a note.

Subparagraphs 344 B and C have been amended to clarify that the borrowers must either pay or amortize the full amount of SAA recapture.

Subparagraph 345 A has been amended to add a note about Share Appreciation Recapture Payments.

Subparagraph 346 A has been amended to cross-reference 1-FLP and 3-FLP.

Subparagraph 384 E has been amended to change DD to FLC for the false information notification process.

Subparagraphs 386 B and 387 B have been amended to cross-reference subparagraph 65 B.

Subparagraph 387 D has been amended to clarify that if there is any unpaid portion of unauthorized assistance, the entire loan will be converted to NP status.

Subparagraph 402 F has been amended to move Exhibit 34 notification guidance.

Subparagraph 403 A has been amended to add use of form B410A and to clarify wording.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 403 B has been amended to clarify the process for filing a proof of claim.

Subparagraph 404 B has been amended to clarify considerations for a borrower that is determined to be eligible for a subsequent loan.

Subparagraph 404 C has been amended to clarify that when a subsequent confirmed plan modifies FSA's payment terms, the loan must be converted to NP.

Subparagraph 405 A has been amended to clarify circumstances for consultation for borrowers under a bankruptcy reorganization plan.

Subparagraph 405 C has been amended to add examples of servicing notifications when a bankruptcy is dismissed.

Subparagraph 405 D has been amended to update reference to FSA-2574 and to clarify the effective date for reversed payments.

Subparagraph 406 A has been amended to clarify terms for which discharged debt may be settled.

Subparagraph 406 B has been amended to clarify collection of account balances that were not discharged.

Subparagraph 406 E has been amended to update the process of responding to a notice of final cure payment.

Subparagraph 407 A has been amended to clarify that a relief of stay must be received before conducting offsets.

Subparagraph 407 F has been amended to further define security.

Subparagraph 410 A has been amended to expand on State Office responsibilities for bankruptcy plan restructures.

Subparagraph 441 D has been amended to include new policy and instructions for Treasury's Report on Receivables (TROR).

Subparagraphs 444 B has been amended to update the reference to the automated worksheet in Exhibit 37 and to cross-reference 7-FLP for offset guidance.

Subparagraphs 462 E has been amended to update the reference to the automated worksheet in Exhibit 60 and to include requirements for LSPMD consent for real estate to be sold at public auction.

Subparagraph 462 F has been amended to update the reference to the automated worksheet in Exhibit 60.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraphs 498 C, 499 B, 499 C, and 519 A have been amended to update references to the automated worksheet in Exhibit 37.

Subparagraph 567 C has been amended to:

- instruct authorized agency officials to consider whether a letter of credit can be used instead of a Treasury check
- remove assignment of lien
- update references to the automated worksheet in Exhibit 60.

Subparagraph 601 A has been amended to further clarify non-monetary default because of involuntary liquidation by a third party.

Subparagraphs 602 C and 604 B have been amended to update references to the automated worksheet in Exhibit 60.

Subparagraph 721 A has been amended to update a reference to FSA-2586.

Exhibit 4 has been amended to update a subparagraph reference for a State supplement regarding State Policies and Procedures for Bankruptcy.

Exhibit 10 has been amended to remove “CERTIFIED MAIL.”

Exhibit 15 has been withdrawn because it is obsolete.

Exhibit 17 has been amended to update:

- liquidation cost calculations
- average holding period of 5.5 months
- cost per advertisement requirements
- net recovery constants deadline of December 31 of each year
- property management cost calculations.

Exhibit 26 has been amended to be an example of the automated worksheet.

Exhibits 37 and 60 have been amended to:

- be examples of the automated worksheets available on the forms site
- update changes to the calculations and concurrence process.

Exhibit 61 has been withdrawn and replaced with FSA-2586.

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4 Agency Exception Authority (Continued)

B Submitting Exception Requests (Continued)

- the adverse effect to FSA resulting from compliance with the regulation and how it would be eliminated or minimized through the exception
- discussion of graduation
- how the action is in the best financial interest of the Government
- additional information SED thinks is needed to review the case
- a Farm Business Plan credit action pertaining to the requested exception, including but not limited to:
 - updated farm assessment
 - appropriate environmental review, if needed
 - credit presentation demonstrating all other feasibility, eligibility, and security requirements are met for the request.

*--C Liquidation Appraisal Alternatives

An estimate of market value can be utilized in place of obtaining a real estate appraisal when both of the following conditions are met:

- it is clear that all FSA debts will be paid in full as a result of the liquidation of FSA security

Example: FSA holds an existing total debt balance of \$70,000 and FSA's real estate security is listed for sale at \$100,000.

- the authorized agency official completes and documents FSA's estimate of market value on FSA-2132.

See 1-FLP, Exhibit 7 to determine the authorizations for completing an Estimate of Market value.--*

4 Agency Exception Authority (Continued)

D Acceleration Exception Authority Delegated to SED

See subparagraphs 534 C and 537 A.

5 Introduction to Direct Loan Servicing – Special and Inventory Property Management

A Direct Loan Servicing – Special

[7 CFR 766.1(a)] This part describes the Agency’s servicing policies for direct loan borrowers who:

- (1) Are financially distressed;**
- (2) Are delinquent in paying direct loans or otherwise in default;**
- (3) Have received unauthorized assistance;**
- (4) Have filed bankruptcy or are involved in other civil or criminal cases affecting the Agency; or**
- (5) Have loan security being liquidated voluntarily or involuntarily.**

[7 CFR 766.1(b)] The Agency services FLP direct loans under the policies contained in this part.

(1) Youth loans:

(i) May not receive DSA under subpart B of this part or DBSA under Subpart J of this part:

(ii) Will only be considered for rescheduling according to § 766.107 (paragraph 131) and deferral according to § 766.109 (paragraph 159)

(2) The Agency does not service Non-program loans under this part except where noted.

[7 CFR 766.1I] The Agency requires the borrower to make every reasonable attempt to make payments and comply with loan agreements before the Agency considers special servicing.

4 Agency Exception Authority (Continued)

B Inventory Property Management

[7 CFR 767.1(a)] This part describes the Agency's policies for

- (1) Managing inventory property;**
- (2) Selling inventory property;**
- (3) Leasing inventory property;**
- (4) Managing real and chattel property the Agency takes into custody after abandonment by the borrower;**
- (5) Selling or leasing inventory property with important resources, or located in special hazard areas; and**
- (6) Conveying interest in real property for conservation purposes.**

[7 CFR 767.1(b)] The Agency maintains, manages and sells inventory property as necessary to protect the Agency's financial interest.

Part 2 Disaster Set-Aside (DSA) and Distressed Borrower Set-Aside (DBSA)**41 Notifying Borrowers of DSA and DBSA****A How and When FSA Must Notify Borrowers**

Borrowers will be notified annually of the existence of both DSA and DBSA by the GovDelivery Article entitled “Disaster Set-Aside and Distressed Borrower Set-Aside Programs” which must be sent in January of each year to all subscribers in each State. Exhibit 9 provides a sample of the GovDelivery article. The corresponding template within GovDelivery has been approved by FPAC Public Affairs.

Depending on how a particular State handles GovDelivery communications, State and/or County Office staff will collaborate with their respective FSA Communications Coordinator to ensure that the Exhibit 9 GovDelivery article is properly completed and sent to all subscribers statewide by the end of January in each year.

Note: The DSA section of the Exhibit 9 GovDelivery article includes an area to list any outstanding disaster designations at the time of sending the notification.

Service centers may send this GovDelivery article more frequently as determined by the FLC or SED.

Note: The DBSA Fact Sheet must separately still be included in all loan servicing notification packets sent according to paragraphs 66 and 67.

--A hard copy of the annual DSA notification should be posted in service centers, and hard copies may be provided to borrowers upon request.--

*--42 **Disaster Set-Aside (DSA)**

A Intent of DSA

[7 CFR 766.51] (a) DSA is available to borrowers with FLP program loans who suffered losses as a result of a natural disaster.

(b) DSA is not intended to circumvent other servicing available under this part.

DSA will not be used to circumvent the servicing available under Parts 3 and 4.

Note: Accounts with loans on full or partial deferral may not be considered for DSA.

(c) Non-program loans may be serviced under this subpart for borrowers who also have FLP program loans.

FLP loans that may be serviced under this part are FO, OL, CL, SW, EM, EE, ST, RL, and RHF. NP's may be serviced under this part for borrowers who also have any program loans as noted in this subparagraph.

Note: YL's are **not** eligible for servicing under this part.

DSA is only intended to relieve some of the borrower's immediate and temporary financial stress caused by a disaster. When the operation has demonstrated that it cannot make the payments due and requires restructure, primary loan servicing under Parts 3 and 4 will be used. DSA will not be used with PLS.

B Authority

Any authorized agency official may approve or reject all disaster set-aside transactions in accordance with instructions.--*

45 **DSA Eligibility and Limitations (Continued)****C Borrowers in Bankruptcy**

When FSA receives a request for DSA from a borrower, co-borrower, or related entity that has filed for bankruptcy, FSA will consult with OGC to determine if and how the bankruptcy impacts the farm operation and FSA debt, and whether court approval of the DSA is required. If court approval is required, the appropriate documentation must be received before eligibility is determined according to subparagraph 43 B.

A borrower who does not have a confirmed reorganization bankruptcy plan may be eligible for DSA, provided the borrower addresses the terms of the DSA as part of the confirmed bankruptcy plan.

A borrower who has re-affirmed FSA debt or has successfully completed a reorganization bankruptcy and is no longer under bankruptcy court jurisdiction is eligible for DSA, subject to the eligibility and limitations in subparagraphs A and B.

Note: A borrower discharged under a chapter 7 bankruptcy who failed to re-affirm FSA debt is not eligible for DSA. See subparagraph 407 B [7 CFR 766.303(c)].

D Borrowers Paying Under a Debt Settlement

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

E Limitations

[7 CFR 766.53(a)] The DSA amount is limited to the lesser of:

- *--(1) The first or second scheduled annual installment on the Agency loans due after the disaster occurred; or**
- (2) The amount the borrower is unable to pay the Agency due to the disaster.**
Borrowers--* are required to pay any portion of an installment they are able to pay.--*

[7 CFR 766.53(b)] The amount set-aside will be the unpaid balance remaining on the installment at the time the DSA is complete. This amount will include the unpaid interest and any principal that would be credited to the account as if the installment were paid on the due date, taking into consideration any payments applied to principal and interest since the due date.

--[7 CFR 766.53(c)] Recoverable cost items may not be set aside.--

46 DSA Approval

A Decision

[7 CFR 766.55] Within 30 days of a complete DSA application, the Agency will determine if the borrower meets the eligibility requirements for DSA.

The authorized agency official must prepare a Special Servicing credit action in FBP to document the decision about eligibility/approval. Borrowers will be notified of the decision by letter within 5 working days after the decision is made. The letter will be hand delivered with borrower acknowledgement in position 4 of the case file or sent by regular mail.

--See Exhibit 10 for an example of an affirmative letter. Rejection letters will be prepared-- according to 1-APP.

If the borrower does not execute all required agency documents within the required timeframe, the DSA request will be rejected and the authorized agency official will notify the borrower according to 5-FLP, subparagraph 47 A.

Note: If a borrower applies for DSA concurrently with a request for a partial release of security or an extension of maturity date for direct loans with balloon installments, the DSA request must be processed prior to issuing a decision on the partial release or extension of maturity date for direct loans with balloon installments.

B Borrower Acceptance of DSA

[7 CFR 766.57] The borrower must execute the appropriate Agency documents within 45 days after the borrower receives notification of Agency approval of DSA.

Subject to the 165-calendar-day limitation in subparagraph 45 A, the borrower must sign FSA-2501 within 45 calendar days (48 calendar days if the letter is sent by mail to allow 3 calendar days for delivery) of the date of FSA's approval letter for each loan DSA. Any exception must be requested according to paragraph 4.

If the borrower does not execute all required agency documents within the required timeframe, the DSA request will be rejected and the authorized agency official will notify the borrower according to 5-FLP, subparagraph 47 A.

C Required Forms

In closing a borrower's approved DSA request, the authorized agency official will:

- prepare an original and 2 copies of FSA-2501
- staple the signed original on top of the original promissory note or assumption agreement filed in the fire-proof safe
- staple 1 of the 2 copies of FSA-2501 to the copy of the promissory note or assumption agreement filed in position 2 of the borrower's case file
- give the second copy of FSA-2501 to the borrower.

54 DBSA Eligibility and Limitations (Continued)

B Loan Eligibility

[7 CFR 766.452(b)] (1) To be considered for DBSA the loan must have been either an OL, FO, CL or EM outstanding prior to September 25, 2024.

***--Note:** For restructured loans, the original loan must have been outstanding before September 25, 2024.--*

(2) All of the borrower's program and non-program loans must be current after the Agency completes DBSA for the scheduled payment installment.

(3) All FLP loans must be either current or less than 150 days past due at the time the complete application for DBSA is received by the Agency.

If the borrower becomes more than 90 days past due and the DBSA has not been completed through the execution of the FSA-2501, the borrower will be immediately provided servicing notifications according to paragraph 66 and initialized into DLS Special Servicing. If a borrower has not provided a complete application for DBSA or loan servicing within 150 days past due, the borrower will be notified of the agency's intention to accelerate in accordance with paragraph 85.

Loans that are partially advanced are not eligible for DBSA.

Example: On July 1, 2022, a borrower closes an FO loan for \$50,000 to expand an existing dairy barn, however because of delays, only \$1,000 has been advanced. In December the borrower determines he does not have sufficient income from milk sales due to lower prices and will be unable to make the February 1, 2023, installment of \$1,990 and requests DBSA. Because not all funds are advanced, the loan is not eligible for DBSA. The borrower can request PLS as current but financially distressed.

(4) The Agency has not accelerated the borrower's account.

The borrower cannot currently be accelerated.

54 DBSA Eligibility and Limitations (Continued)**B Loan Eligibility (Continued)**

(5) For any loan that will receive DBSA, the remaining term of the loan must equal or exceed 2 years from the due date of the DBSA agreement.

(6) The loan must not have an DBSA or DSA in place.

Notes: The loans can have only one set-aside in place at any time, either DBSA or DSA. The loans must remain eligible until Form FSA-2501 is executed.

The limitation for DSA includes COVID DSA granted that has an outstanding balance.

(7) The loan must not have been consolidated with any other loan that would not be eligible for DBSA on its own merits.

C Borrowers in Bankruptcy

When FSA receives a request for DBSA from a borrower, co-borrower, or related entity that has filed for bankruptcy, FSA will consult with OGC to determine if and how the bankruptcy impacts the farm operation and FSA debt, and whether court approval of the DBSA is required. If court approval is required, the appropriate documentation must be received before eligibility is determined according to subparagraph A.

A borrower who does not have a confirmed reorganization bankruptcy plan may be eligible for DBSA, provided the borrower addresses the terms of the DBSA as part of the confirmed bankruptcy plan.

A borrower who has re-affirmed FSA debt or has successfully completed a reorganization bankruptcy and is no longer under bankruptcy court jurisdiction is eligible for DBSA, subject to the eligibility and limitations in subparagraphs A and B.

Note: A borrower discharged under a chapter 7 bankruptcy who failed to re-affirm FSA debt is not eligible for DBSA. See subparagraph 407 B [7 CFR 766.303(c)].

***--54 DBSA Eligibility and Limitations (Continued)**

D Borrowers Paying Under a Debt Settlement

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

E Limitations

[7 CFR 766.453(a)] The DBSA amount is limited to the lesser of:

- (1) The amount of the delinquent installment or upcoming scheduled installment; or**
- (2) The amount the borrower is unable to pay the Agency. Borrowers are required to pay any portion of an installment they are able to pay.**

[7 CFR 766.453(b)] The amount set aside will be the unpaid balance remaining on the installment at the time DBSA is complete. The amount will include the unpaid interest and any principal that would be credited to the account as if the installment were paid on the due date, taking into consideration any payments applied to principal and interest since the due date.

[7 CFR 766.453(c)] Recoverable cost items may not be set aside.--*

55 DBSA Approval

A Borrower Acceptance and Decision

[7 CFR 766.455] Subject to the 165 calendar day limitation in § 766.452(a)(8), the borrower must execute the appropriate Agency documents within 45 days after the borrower receives notification of Agency approval of DBSA, which will be within 30 days of having submitted a complete application.

The agency must notify the borrower of DBSA approval within 30 days of receiving a complete application.

FSA-2501 must be signed by the borrower within 45 calendar days of the date of FSA's approval decision (or within 48 days if sent by regular mail to allow 3 days for mail delivery). FSA-2501 must be executed before the loan becomes 165 days or more past due (as outlined in subparagraph 54 A), and before the remaining term of the loan becomes less than 2 years from the due date of the DBSA agreement (as outlined in subparagraph 54 B). If either of these conditions exist, the loan is no longer eligible for DBSA.

If the borrower does not execute all required agency documents within the required timeframe, the DBSA request will be rejected and the authorized agency official will notify the borrower according to subparagraph 57 A.

B Agency Decision

The authorized agency official must prepare a Special Servicing credit action in FBP to document the decision about eligibility or approval. The FBP should include actual production and income and expense records as well as a cash flow projection to document the distress and lack of a feasible plan without the DBSA. Borrowers will be notified of the decision by letter within 5 working days after the decision is made. The letter will be hand delivered with borrower acknowledgement in position 4 of the case file or sent by regular *--mail. See Exhibit 10 for an example of an affirmative letter. Rejection letters will be--* prepared according to 1-APP.

Note: If a borrower applies for DBSA concurrently with a request for a partial release of security or an extension of maturity date for direct loans with balloon installments, the DBSA request must be processed before issuing a decision on the partial release or extension of maturity date for direct loans with balloon installments.

C Required Forms

In closing a borrower's approved DBSA request, the authorized agency official will:

- prepare an original and 2 copies of FSA-2501
- staple the signed original on top of the original promissory note or assumption agreement filed in the fire-proof safe
- staple 1 of the 2 copies of FSA-2501 to the copy of the promissory note or assumption agreement filed in position 2 of the borrower's case file
- give the second copy of FSA-2501 to the borrower.

Part 3 Loan Servicing – General Procedures

65 Borrower Non-Compliance With Loan Agreements

A Documenting Non-compliance

Borrowers must be in compliance with loan agreements to be eligible for loan servicing options. Non-compliance will be documented in the FBP running record by the authorized agency official. Documentation must include:

- type, nature, circumstances, and reasons for non-compliance
- any actions taken by the borrower to correct the non-compliance
- requirements of 4-FLP, subparagraph 181 A for conversion
- *--requirements of 5-FLP, Part 10 for unauthorized assistance.--*

Note: Failure to complete borrower training is not a non-compliance issue for loan servicing. See 3-FLP, subparagraph 474 C for loan making restrictions for failure to complete borrower training.

Borrowers in non-compliance will be given the opportunity to correct the matter whenever possible. The borrower will be contacted and provided the opportunity to explain the potential non-compliance using Exhibit 10.5 or 4-FLP, Exhibit 31 for conversion (4-FLP, Part 7, Section 2). The borrower will also be initialized into DLS Special Servicing under “Borrower Potentially Commits a Non-monetary Default” category and tracked until servicing is completed. Any response received from the borrower will be documented in FBP and any supporting documentation will be included in the case file. The authorized agency official will review the borrower’s response and determine if the potential non-compliance has been satisfactorily resolved. If the issue is resolved, the FBP running record will be documented and no further action will be taken.

Notes: In situations where all liable parties are deceased, Exhibit 10.5 or 4-FLP, Exhibit 31 will be sent to the appropriate estate(s) as this will provide notification to the heirs.

In extraordinary circumstances the authorized agency official may determine that borrower resolution of non-compliance is not feasible. In these cases, the SED or FLC will contact LSPMD for further instructions.

B Non-monetary Default

Third party foreclosures, failure to pay real estate taxes or insurance, and UCC renewal fees are non-monetary default decisions that can be made by the authorized agency official. If the authorized agency official determines that the non-compliance has not been resolved and the borrower is in non-monetary default, the account will be referred to SED for concurrence. FSA-2551 will be prepared by the local office and must include all pertinent information, documentation, and any responses provided by the borrower regarding the potential non-compliance. FSA-2551 and all documentation will be forwarded to SED for concurrence of non-monetary default determination. OGC concurrence is not required.

65 Borrower Non-Compliance With Loan Agreements (Continued)

C Lack of Good Faith

--SED will determine if a lack of good faith determination will be pursued. OGC concurrence is not required but can be pursued if SED determines it is warranted. OGC can make its own independent lack of good faith determinations that may result in the case being submitted for civil or criminal action as described in Part 11. In all cases, a lack of good faith determination must be made for each decision according to 3-FLP, subparagraph 65 A.--

67 Providing Loan Servicing Notification Package (Continued)

B Using DLS Special Servicing and PLS Flag

The authorized agency official must track all notification and servicing activity through DLS Special Servicing and FSA-2580.

PLS flag will be placed only on accounts sent FSA-2510 or FSA-2514.

To establish the PLS account flag, a transaction will be processed in DLS through the Manage Flags function under Customer Management.

* * *

67 Providing Loan Servicing Notification Package (Continued)

C Methods of Notifying Borrowers

[7 CFR 766.101(c)] Notices to delinquent borrowers or borrowers in non-monetary default will be sent by certified mail to the last known address of the borrower. If the certified mail is not accepted, the notice will be sent immediately by first class mail to the last known address. The appropriate response time will begin 3 days following the date of the first class mailing. For all other borrowers requesting the notices, the notices will be sent by regular mail or hand delivered.

All notices to delinquent borrowers are sent by certified mail, including borrowers receiving FSA-2512 who are at least 1 day delinquent but not yet 90 days or more past due.

Certified mail return receipt service is required as an additional service when sending items by certified mail and must be purchased at the time of mailing.

If the certified mail return receipt and/or notification package is not returned within 15 days, the agency official will use USPS online tracking to determine if the borrower has received the notification package. If the online record indicates:

- that no delivery attempt was made, the borrower will be notified again using certified mail
- that the notification was delivered or accepted by the borrower, the indicated date will serve as the accepted date
- at least one delivery attempt has been made with no indication as to whether the borrower accepted mail, the notification package will be treated as not accepted and sent again by regular mail.

If the notification package is returned “address unknown”, the authorized agency official will verify the borrower’s current postal address using FSA-137 according to 5-AS, paragraph 77.

--If no new address can be obtained, see 7-FLP, subparagraph 405 F.--

Once the address verification process is completed, the authorized agency official will:

- record the date the original package was returned and the date the contents are re-mailed on the original envelope and file the original envelope in position 4 of the case file
- resend the contents of the loan servicing notification package in a new sealed envelope.

The timeframe for a complete application will be determined according to subparagraph 83 B.

67 Providing Loan Servicing Notification Package (Continued)**D Requests for Copies of Regulations**

A borrower may request copies of regulations at any time. When asked, the authorized agency official must provide a borrower 1 free copy of a regulation within 10 workdays of the request. See 2-INFO for further guidance.

68 Other Loan Servicing Notification Requirements**A Notifying All Parties on a Note of Loan Servicing**

For PLS purposes, all parties who signed the promissory note, including cosigners, 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-2510 or FSA-2514 are sent to the borrower. A copy of the FSA-2510 or FSA-2514 sent to the primary borrower will be included and marked "Courtesy Copy".

*--Borrowers with YL's will be sent Exhibit 14 whenever they are sent the FSA-2510 to further explain the reason for the notification and their servicing options.

Note: The DBSA fact sheet must be included with all PLS notification packages, except YL's.--*

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)

83 Borrower Response Timeframes (Continued)**B When Loan Servicing Application Timeframes Begin**

If the loan servicing notification package is sent by certified mail, the timeframes begin the day the certified mail is delivered.

If the loan servicing notification package is sent by first class mail, the timeframes begin 3 calendar days after the mailing date.

If the borrower is an entity or 2 or more individuals not at the same address, the timeframes begin the day the last borrower received the loan servicing notification package.

C Incomplete Applications

Borrowers who are notified with FSA-2510 or FSA-2514 and do not submit all required information will be sent FSA-2516 in approximately 30 calendar days to remind them of the final day to submit a complete application and all items still required. No further contact regarding incomplete applications or timeframes is required.

D SED Extension Authority

--[7 CFR 766.101(e)] In extraordinary circumstances, after the application period described in (d)(2) and (3) of this section has expired (subparagraph 83 A), the SED may extend the application deadline when requested by the borrower in writing.--

SED has the authority to extend the deadline only for the submission of a complete application. This must be based only upon extraordinary circumstances that are beyond the borrower's control, such as serious illness. The authorized agency official must recommend this extension in writing to SED and include specific details of the circumstances. Such extensions normally will not exceed 30 calendar days.

84 Releasing Divorced Spouses of Liability

A General

This paragraph applies only when a borrower requests, with a loan servicing request, a release from liability because of divorce. There is no authority to release individual members of an entity under this part.

--FSA will consider releases of liability for borrowers who are current on all payments and in compliance with all loan requirements and documents under 4-FLP.--

A divorce does not release an FSA obligor from liability. The authorized agency official will provide a loan servicing notification package to divorced spouses who have not been released of liability according to paragraph 68.

A borrower is responsible for informing FSA of a divorce action and providing FSA with copies of divorce decrees, court sanctioned settlement agreements, and updated contact information, such as a new mailing address and telephone number.

B Release of Liability Requirements

[7 CFR 766.102 (f)] When jointly liable borrowers have been divorced and one has withdrawn from the farming operation, the Agency may release the withdrawing individual from liability, provided:

- (1) The remaining individual submits a complete application in accordance with this section;**
- (2) Both parties have agreed in a divorce decree or property settlement that only the remaining individual will be responsible for all Agency loan payments;**
- (3) The withdrawing individual has conveyed all ownership interest in the security to the remaining individual; and**
- (4) The withdrawing individual does not have repayment ability and does not own any non-essential assets.**

--See subparagraph C for borrowers in non-monetary default on any loan agreements.--

The borrowers will submit any information required by the authorized agency official to address the items in this subparagraph. Common items required include a Divorce Decree, Property Settlement Agreements, Deeds, Bills of Sale, and financial information.

84 Releasing Divorced Spouses of Liability (Continued)

***--C Borrowers in Non-Monetary Default on Any Loan Agreements**

[7 CFR 761.2(b)] *Default* is the failure of a borrower to observe any agreement with the Agency, or the lender in the case of a guaranteed loan, as contained in promissory notes, security instruments, and similar or related instruments.

[7 CFR 766.1(c)] The Agency requires the borrower to make every reasonable attempt to make payments and comply with loan agreements before the Agency considers special servicing.

Borrowers in non-monetary default may not be considered for release of liability unless the non-monetary default was outside of the borrower's control, or the non-monetary default is resolved prior to closing the servicing action.

Example 1: Spouse A leaves the farm to separate from Spouse B who remains on the farm. While Spouse A is away from the farm, Spouse B converts security. Spouse A may be considered for the release of liability if all conditions of this paragraph have been met.

Example 2: If both spouses were involved in the non-monetary default, and the issue is resolved before the servicing action, the release of liability and restructure may be processed.

D Applying for Loan Servicing--*

An application for loan servicing that requests release of liability of a withdrawing spouse is complete and can only be approved when:

- the withdrawing spouse submits the material and documentation required by subparagraph B within the timeframe required by subparagraph 83 A
- the remaining borrower submits all forms and documentation required in paragraph 81 within the required timeframe.

84 Releasing Divorced Spouses of Liability (Continued)

--E Approval or Disapproval of Release of Liability--

If a divorced spouse requests a release of liability under this paragraph, the authorized agency official will prepare and forward FSA-2080, all relevant case information, and a well-documented memo summarizing the request to SED. The authorized agency official will include a recommendation.

If SED approves the release of liability, the authorized agency official may then process the loan servicing request of remaining obligors who have submitted a complete and timely loan servicing application.

If the release cannot be approved by SED, the borrower requesting the release will be given appeal rights according to 1-APP. See 1-FLP, subparagraphs 42 A through 42 F for guidance on preparing appeal letters specific to FLP.

After all appeals are concluded, FSA will continue processing the loan servicing application and both borrowers must jointly execute all remaining documents.

Once the application is complete and all required information is received from both parties, processing a release of a divorced spouse does not delay or suspend the time for FSA to process the application of the remaining borrower.

85 Borrowers Do Not Respond to Loan Servicing Notification

A General Policy

[7 CFR 766.103 (a)] If a borrower who is financially distressed or current requested loan servicing and received FSA-2512, but fails to respond timely and subsequently becomes 90 days past due, the Agency will notify the borrower in accordance with § 766.101(a)(2) (subparagraph 67 A).

[7 CFR 766.103 (b)] If a borrower who is 90 days past due and received FSA-2510, or is in non-monetary, or both monetary and non-monetary default, and received FSA-2514 and fails to timely respond or does not submit a complete application within the 60-day timeframe, the Agency will notify the borrower by certified mail of the following:

- (1) The Agency's intent to accelerate the loan; and**
- (2) The borrower's right to request reconsideration, mediation and appeal in accordance with 7 CFR parts 11 and 780.**

B Intent to Accelerate

The authorized agency official must send FSA-2525 and FSA-2526 to a 90-calendar-day past ~~due~~ borrower or a borrower in non-monetary default who fails to apply for loan servicing within 60 calendar days of borrower receipt of the loan servicing package. If the borrower is an entity or is comprised of 2 or more individuals, the same borrowers that received the original notice will be notified.

Note: If a non-monetary default is determined after FSA-2510 is issued, FSA-2525 will address both the monetary and non-monetary defaults. The reasons for the ~~non-~~ non-monetary default determination will be detailed on the FSA-2525.

Section 5 Amending Promissory Notes Without PLS

128 (Withdrawn—Amend. 63)

129 Extending Maturity Date for Direct Loans with Balloon Payments (Continued)**B Notification Requirements**

The County Office will monitor all term loans with balloon payments for the final installment due date to ensure that the borrower is notified they could extend the maturity date if qualified.

County and State Offices will ensure that 4-FLP Exhibit 25.3 is sent to the borrower according to 4-FLP, subparagraph 64 C.

C Approval Actions

The authorized agency official will prepare a credit presentation in FBP to document the borrower's eligibility to continue payments as scheduled. Approval of the extension will be recorded in the FBP.

***--Note:** To be considered timely, borrowers must submit a request for extension at least 30 calendar days before the balloon payment maturity. If the local Service Center is unable to process a timely request before maturity of the balloon installment, contact LSPMD for further guidance.--*

D Special Servicing Actions

DLS Special Servicing activity will be initiated utilizing Chart 23 "Extending Maturity Date for Term Loans with Balloon Payments".

E Transaction Code

Transaction code 4L will be used by the RD Business Center to record the new installment due date on each applicable loan. State Office coordinators will send completed FSA-2446 to the RD Business Center. See 1-FLP, subparagraph 5 B. After the transaction has completed successfully, the RD Business Center will notify the applicable State Office that the transaction was completed.

129 Extending Maturity Date for Direct Loans with Balloon Payments (Continued)

F Tracking Notes with Balloon Installments

DLS LS Custom OM Reminders will be used to track and monitor any accounts that have loans with a balloon payment due at maturity. Refer to Section 7.5 Reminders, of the DLS User's Guide for detailed directions on creating custom reminders.

G Appeals Rights

If a request under this section cannot be approved, the borrower will be notified of all appeal rights according to 1-APP. See 1-FLP, subparagraphs 42 A through 42 F for guidance on preparing appeal letters specific to FLP.

130 (Reserved)

Part 4 Primary Loan Servicing Programs

Section 1 Consolidation and Rescheduling

131 Co-signers

When a co-signer's non-farm income is required to obtain a feasible cash flow plan, the co-signer will sign the restructured FSA-2026.

132 Eligibility and Loan Terms

A Loans Eligible for Consolidation

[7 CFR 766.107(a)] **The Agency may consolidate OL loans if:**

- (1) The borrower meets loan servicing eligibility requirements in § 766.104 (paragraph 102);**
- (2) The Agency determines that consolidation will assist the borrower to repay the loans;**
- (3) Consolidating the loans will bring the borrower's account current or prevent the borrower from becoming delinquent;**
- (4) The Agency has not referred the borrower's account to OGC or the U.S. Attorney, and the Agency does not plan to refer the account to either of these two offices in the near future;**
- (5) The borrower is in compliance with the Highly Erodible Land and Wetland Conservation requirements of 7 CFR Part 12, if applicable (see 6-CP);**
- (6) The loans are not secured by real estate;**
- (7) The Agency holds the same lien position on each loan;**
- (8) The Agency has not serviced the loans for unauthorized assistance under subpart F (Part 10) of this part; and**
- (9) The loan is not currently deferred, as described in § 766.109 (Section 3), or set-aside, as described in subpart B or J (Part 2) of this part. The Agency may consolidate loans upon cancellation of the deferral, DBSA, or DSA (Part 2).**

Notes: Consolidating loans eligible for DBSA with loans not eligible for DBSA will cause the loss of eligibility for a future DBSA for loans that are consolidated.

Stimulus bill loans will **not** be consolidated. Loans obligated with stimulus funds must retain their stimulus loan identifier. Stimulus loans are identified by TOA Codes 564 through 583. See DLS Customer Loan Information Section for TOA codes.

--Consolidation should be used whenever possible to preserve loan numbers.--

132 Eligibility and Loan Terms (Continued)

A Loans Eligible for Consolidation (Continued)

eDALR\$ will be used to determine whether consolidation will be used and if a repayment plan can be developed.

When a restructure is processed, DLS transaction codes 5T – Cancel Disaster Set-Aside and 5Y – Cancel Loan Deferral will be sequenced to process before the 1M – Loan Consolidation/Reschedule transaction in DLS Special Servicing.

PLS transactions processed within the DLS Special Servicing system will be systematically created and sequenced. Manual user creation of these transactions is not required or authorized. Refer to the DLS User Guide for additional information.

B Loans Eligible for Rescheduling

[7 CFR 766.107(b)] The Agency may reschedule loans made for chattel purposes, including OL, CL, SW, RL, EE, or EM if:

- (1) The borrower meets loan servicing eligibility requirements in §766.104 (paragraph 102);**
- (2) Rescheduling the loans will bring the borrower’s account current or prevent the borrower from becoming delinquent;**
- (3) The Agency determines that rescheduling will assist the borrower to repay the loans;**
- (4) The Agency has not referred the borrower’s account to OGC or the U.S. Attorney, and the Agency does not plan to refer the account to either of these two offices in the near future;**
- (5) The borrower is in compliance with the Highly Erodible Land and Wetland Conservation requirements of 7 CFR part 12, if applicable; and**
- (6) The loan is not currently deferred, as described in § 766.109 (Section 3), or set-aside, *--as described in subpart B or J (Part 2) of this part. The Agency may reschedule loans upon cancellation of the deferral, DBSA, or DSA (Part 2).--***

eDALR\$ will be used to determine whether a repayment plan can be developed.

When a restructure is processed, DLS transaction codes 5T – Cancel Disaster Set-Aside and 5Y – Cancel Loan Deferral will be sequenced to process before the 1M – Loan Consolidation/Reschedule transaction in DLS Special Servicing.

PLS transactions processed within the DLS Special Servicing system will be systematically created and sequenced. Manual user creation of these transactions is not required or authorized. Refer to the DLS User Guide for additional information.

Section 3 Deferrals

159 Conditions and Operating Plans

A Conditions for approving Deferrals

[7 CFR 766.109(a)] **The Agency will only consider deferral of loan payments if:**

- (1) The borrower meets the loan servicing eligibility requirements of §766.104 (paragraph 102);**
- (2) Rescheduling, consolidation, and reamortization of all the borrower's loans, will not result in a feasible plan with 110 percent debt service margin;**
- (3) The need for deferral is temporary; and**
- (4) The borrower develops feasible first-year deferral and post-deferral farm operating plans subject to the following:**
 - (i) The deferral will not create excessive net cash reserves beyond that necessary to develop a feasible plan.**

FSA does not allow net cash reserves for capital purchases beyond those required to develop a feasible plan, as such purchases are not considered operating expenses.

- (ii) The Agency will consider a partial deferral if deferral of the total Agency payment would result in the borrower developing more cash availability than necessary to meet debt repayment obligations.**

eDALR\$ will be used to determine whether a repayment plan can be developed. All loans must be considered for restructuring when deferral is considered.

B First Year Plan

The plan developed according to subparagraph 81 H is the first year plan of the deferral.

C Post-Deferral Plan

A post-deferral plan is developed to project the borrower's operations for the year following the deferral period according to subparagraph 160 A.

--Contact LSPMD by e-mail to SM.FSA.DCWa7.DirectLoans or fsa-directloans@usda.gov if eDALR\$ generates a Feasible Plan Found outcome report (Code 1) with a feasible first year plan but a non-feasible post-deferral plan.--

160 Deferral Period and Associated Restructuring

A Deferral period

[7 CFR 766.109(b)] (1) The deferral term will not exceed 5 years and will be determined based on the post- deferral plan that results in the:

- (i) Greatest improvement over the first year cash available to service FLP debt;**
- (ii) The shortest possible deferral period.**

(2) The Agency will distribute interest accrued on the deferred principal portion of the loan equally to payments over the remaining loan term after the deferral period ends.

Deferrals are beneficial only if the cash available to service the borrower's FSA debt increases in the year after the deferral period ends.

In some cases, such as in a major reorganization of the operation, debt structure, or essential development, it may be necessary to develop and consider plans for multiple years. Justification for determining length of deferral must be well documented in the FBP.

FSA-2026 must identify debt as rescheduled or reamortized with deferral and include the addendum required by FSA-2026 instructions.

B Associated Loan Servicing

[7 CFR 766.109(d)] (1) The Agency must cancel an existing deferral if the Agency approves any new primary loan servicing action.

(2) Loans deferred will also be serviced in accordance with §§ 766.107, 766.108 and 766.111 (paragraphs 131, 145, and 172), as appropriate.

When a restructure is processed, the DLS transaction code 5Y – Cancel Loan Deferral will be sequenced to process before the 1M – Loan Consolidation/Reschedule/Reamortization transaction in DLS Special Servicing.

--PLS transactions processed within the DLS Special Servicing system will be systematically created and sequenced. Manual user creation of these transactions is not required or authorized. Refer to the DLS User Guide for additional information.--

FSA-2026 rescheduled, reamortized or consolidated for the deferral will show “zero” as the installment due during the period of the deferral if the whole note is deferred. The authorized agency official will determine the amount of interest that will accrue during the deferral period and the installments using eDALR\$ and calculations provided in FSA-2026 instructions.

195 Conservation Contract Review Team

A Policy

The conservation contract review team determines whether a borrower possesses any land that can fulfill the land eligibility and conservation purpose requirements discussed in paragraph 192.

B When to Establish Conservation Contract Review Team

The authorized agency official establishes a conservation contract review team after conducting a preliminary financial analysis that indicates that a conservation contract could enable either:

- a delinquent or financially distressed borrower to develop a feasible plan with or without primary loan servicing
- a current borrower to develop a feasible plan.

See subparagraphs 194 C and D for more information on conducting a preliminary financial analysis of a conservation contract.

C Conservation Contract Review Team Membership

The authorized agency official establishes a conservation contract review team by inviting *--representatives from appropriate entities to participate on the team. Invited entities should include entities with an interest in the proposed conservation contract or which could qualify to be a management authority for the contract. Examples of these entities include:

- NRCS
- FWS--*
- State fish and wildlife agencies
- Conservation districts
- National Park Service
- Forest Service
- State Historic Preservation Officer
- State conservation agencies
- State environmental protection agencies
- State natural resource agencies.

--At least 2 conservation entities must participate with FSA on the team. Contact LSPMD if this requirement cannot be met. The authorized agency official should provide-- information on the location of the farm FSA is considering for a conservation contract and a general description of the farm's land to all individuals invited to participate on the conservation contract review team.

195 Conservation Contract Review Team (Continued)**D Conservation Contract Review Team's Site Visit**

The conservation contract review team should visit the farm within **15 workdays** of the date the authorized agency official extended invitations to potential conservation contract review team participants.

To facilitate the conservation contract review team's site visit, the authorized agency official may appoint a conservation contract review team coordinator. The coordinator is responsible for establishing the date and time the team meets to review the farm FSA is considering for a conservation contract.

The authorized agency official must invite all affected lienholders and the borrower who applied for a conservation contract to the conservation contract review team's site visit.

During the site visit, the conservation contract review team should survey the entire farm to:

- delineate land tracts that meet conservation contract land eligibility requirements

Note: See subparagraph 192 A for land types eligible for a conservation contract.

- consider which conservation contract purpose, if any, is most appropriate for each eligible land tract, as described in subparagraph 192 D
- consider management plans most appropriate for each land tract where an eligible conservation contract purpose can be established

***--Note:** The FSA representative on the conservation contract review team will complete FSA-851 for all property proposed to be placed under the conservation contract.--*

Section 2 FSA's Decision

226 Approval Authority

A Approval Authority for Servicing Actions

Any authorized agency official has the authority to approve or reject PLS, except SED must approve all primary loan servicing actions:

- that result in debt forgiveness
- *--when 1 of the following applies to the borrower (or any entity member):
 - has already received primary loan servicing at least 2 times in the previous 5 years
 - is receiving a second or subsequent consecutive restructure with a deferral
 - has run out of loan numbers and has started reusing previous loan numbers.--*

Note: This authority may only be delegated to the FLC.

Once PLS 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.

231 Additional Servicing Information Applicable to Adverse Decisions (Continued)

E Withdrawing Adverse Decision

--See 1-APP, paragraph 24 and 1-FLP, paragraph 42 for guidance on withdrawal of an adverse decision.--

232-245 (Reserved)

Part 7 Homestead Protection Program

Section 1 Determining and Notifying Eligible Borrowers

281 Homestead Protection Program

A Pre-Acquisition

[7 CFR 766.151(a)] (1) If the borrower requested primary loan servicing but cannot develop a feasible plan, the Agency will notify the borrower of any additional information needed to process the homestead protection request. The borrower must provide this information within 30 days of Agency notification.

Borrowers who submit a complete PLS application but do not restructure or buyout the debt will be considered for homestead protection. The borrower will be mailed FSA-2537 and FSA-2538 if FSA has a lien on their home.

* * *

[7 CFR 766.151(a)] (2) If the borrower does not timely provide the information requested, the Agency will deny the homestead protection request and provide reconsideration and appeal rights.

[7 CFR 766.151(a)] (3) A complete application for homestead protection will include:

- (i) Updates to items required under § 766.102 (Part 3, Section 2);**
- (ii) Information required under § 766.353 (Part 14); and**
- (iii) Identification of land and buildings to be considered.**

281 Homestead Protection Program (Continued)**B Post-Acquisition**

[7 CFR 766.151(b)] (1) After the Agency acquires title to the real estate property, the Agency will notify the borrower of the availability of homestead protection. The borrower must submit a complete application within 30 days of Agency notification.

(2) If the borrower does not respond to the Agency notice, the Agency will dispose of the property in accordance with 7 CFR part 767.

(3) A complete application for homestead protection will include:

(i) Updates to items required under § 766.102; and

(ii) Identification of land and buildings to be considered.

Within 30 calendar days of FSA obtaining title to the property, the authorized agency official sends the borrower FSA-2540 by certified mail. If FSA obtains title to the property while FSA is processing homestead protection, the borrower does not need to respond to FSA-2540. FSA considers the pre-acquisition request as the borrower's application and continues to process the homestead protection request to completion.

In requesting homestead protection, the borrower must:

- provide the authorized agency official with updated servicing application materials if the necessary documentation is not already on file

Note: For a list of items the borrower must submit to FSA, see Part 3.

- specifically identify the land and buildings the borrower wants to include in the request.

FSA and the borrower, if eligible for homestead protection, enter into a lease by signing FSA-2591.

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 buyout allows the borrower to pay FSA the current market value of the security less any prior liens. Buyout for \$0.00 may be a possible outcome. FSA will release all of the borrower's debt and security instruments (if any remain) 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.**

Note: Current market value buyouts resulting in a loss to FSA must be screened for *--debarment and suspension. See 3-FLP, paragraph 75 and 1-FLP, paragraph 43.--*

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, which will result in a loss to the government.

If the account will be paid in full, SED signature is not required.--*

322 Processing a Buyout at Current Market Value**A Notifying Borrower of Buyout**

The authorized agency official will notify the borrower of the opportunity to buyout the FSA loans at current market value by sending the borrower a copy of the signed eDALR\$ Report, along with FSA-2521 and FSA-2522 or FSA-2523 and FSA-2524 showing the buyout amount by certified mail.

B Timeframe for Borrower to Pay Buyout Amount

[7 CFR 766.113(b)] After the Agency offers current market value buyout of the loan, the borrower has 90 days from the date of Agency notification to pay that amount.

If the borrower exercises the right to an independent appraisal, negotiation of appraisal, reconsideration, mediation, or appeal, the 90-calendar-day time limit will start on the day the borrower receives the final Agency and/or NAD decision.

A distressed borrower notified of the buyout offer with FSA-2523 and FSA-2524 who subsequently becomes 90 days past due will be provided with servicing notifications in accordance with Part 3. The borrower may still accept the buyout offer by paying the amount due. If the borrower elects to reapply for servicing and provides a complete application, FSA will rescind the buyout offer provided with the FSA-2523 and FSA-2524.

C Processing Buyout Payment

If the borrower accepts FSA's buyout offer, the borrower must pay the entire buyout amount according to 4-FLP, subparagraph 65 F. The buyout amount will be established by processing a 3Q – Market Value Buyout transaction in DLS Special Servicing after the payment has been processed. The payment will be submitted as "other collection" according *--to the FPAC NRRS Guide. The borrower's security instruments will be released--* according to 4-FLP, subparagraph 65 F. The borrower's original promissory notes will be marked "satisfied at current market value" and returned to the borrower.

PLS transactions processed within the DLS Special Servicing system will be systematically created and sequenced. Manual user creation of these transactions is not required or authorized. Refer to the DLS User Guide for additional information.

322 Processing a Buyout at Current Market Value (Continued)

D Borrower Nonresponse or Inability to Pay Current Market Value

If the borrower does not accept FSA's buyout offer and FSA has a lien on the home of the borrower or any person that pledged their home as collateral, homestead protection will continue to be processed according to Part 7.

* * *

The borrower can also still apply for debt settlement according to 7-FLP, Part 12.

323-340 (Reserved)

344 Notifying Borrower That Shared Appreciation Is Due

A FSA Review of Maturing SAA's

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

Use the DLS SI Other Shared Appreciation Amortization workflow to track and monitor the SAA processing to completion.

B Borrower Notification of Shared Appreciation Due

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

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

After all appeal rights have been concluded, FSA will process a 3V – Equity Receivable transaction in DLS to establish the recapture due.

344 Notifying Borrower That Shared Appreciation Is Due (Continued)**C Complete Application for Shared Appreciation Amortization**

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

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

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

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

- of all required items that the borrower has not submitted
- the final due date by which the borrower must submit all items
- that no further reminders will be sent and that the borrower will be sent FSA-2525 if the amount is not paid or amortized.

D Borrower Does Not Pay Shared Appreciation Due

--The borrower will be sent FSA-2525 if the full amount is not paid or amortized by the due-- date. Servicing will continue to liquidation if the recapture is not paid.

345 Processing Shared Appreciation Agreement Recapture Payments**A Processing Shared Appreciation Agreement Recapture Payments**

Payment on unamortized recapture will be processed as a miscellaneous payment and indicated as an “Equity Receivable Payment”.

*--**Note:** Because of processing requirements for Shared Appreciation Recapture Agreements, partial Shared Appreciation Recapture Payments are not authorized.--*

B Applying Sale Proceeds of Shared Appreciation Security

Creditors will be paid in lien priority. Proceeds from a full or partial sale of shared appreciation agreement security submitted to FSA will be applied first to recapture and then to the loan.

C Satisfying Shared Appreciation With Payment in Full

If the borrower fully pays the shared appreciation amount due and the borrower’s remaining FLP debt is fully paid, the authorized agency official will release the satisfied debt and lien instruments and close the equity receivable record.

If the borrower pays the shared appreciation amount in full but still has remaining FLP debt, FSA will release only those documents pertaining to loans that have been fully paid. FSA will mark the shared appreciation agreement paid in full but will not release the borrower’s mortgage if it secures promissory notes that the borrower has not fully paid.

If shared appreciation is due because of a partial sale of the shared appreciation agreement security, the shared appreciation agreement is not satisfied and the lien instruments will not be released. See 4-FLP, Part 7 about partial releases of security.

SED may issue a State supplement on satisfying shared appreciation agreements if required by State law.

D Cash Sale of Shared Appreciation Security

Subject to prior lien debt, FSA collects the shared appreciation agreement recapture amount first from the sale proceeds in a cash sale of the shared appreciation security.

346 Amortizing Shared Appreciation**A Requirements for a Shared Appreciation Payment Agreement**

[7 CFR 766.204(a)] The Agency will amortize the recapture into a Shared Appreciation Payment Agreement provided the borrower:

- (1) Has not ceased farming and the borrower's account has not been accelerated;**
- (2) Provides a complete application in accordance with 764.51(b) (3-FLP, subparagraph 42 A), by the recapture due date or within 60 days of Agency notification of the amount of recapture due, whichever is later;**
- (3) Is unable to pay the recapture and cannot obtain funds from any other source;**
- (4) Develops a feasible plan that includes repayment of the shared appreciation amount;**
- (5) Provides liens on all assets, except those listed in 766.112(b) (subparagraph 211 C); and**
- (6) Signs loan agreements and security instruments as required.**

***--Note:** Borrower must be screened for debarment and suspension. See 3-FLP, paragraph 75 and 1-FLP, paragraph 43.--*

B Calculating the Amortized Payment

The authorized agency official will calculate the amortized payment according to FSA amortization tables and document the calculations in the borrower's FBP.

C Amortized Loan Term

[7 CFR 766.205(b)] The term of the Shared Appreciation Payment Agreement is based on the borrower's repayment ability and the useful life of the security. The term will not exceed 25 years.

384 Determining That Unauthorized Assistance Was Given**A Unauthorized Assistance Identified by FSA**

FSA may determine that unauthorized assistance was given to a borrower through:

- OIG audit
- Agency review
- information from third parties.

B Unauthorized Assistance Identified by OIG Audits

OIG periodically audits FSA to verify compliance with FSA regulations when processing and closing loans. To verify regulatory compliance, OIG may review loan files in National, State, District, and County Offices during an audit. If OIG determines that FSA provided unauthorized assistance to a borrower because of processing or closing errors, the authorized agency official who acts on this determination will refer to 9-AO for required FSA actions.

C Unauthorized Assistance Identified by FSA Personnel

If FSA personnel determine that FSA gave a borrower unauthorized assistance, the authorized agency official will document the following in the borrower's FBP:--*

- how FSA determined unauthorized assistance was given to the borrower
- whether it appears the unauthorized assistance was caused by:
 - false information
 - inaccurate information
 - FSA processing or closing error
- the conditions surrounding the unauthorized assistance, including the amount of unauthorized assistance. See paragraph 385 for more information on determining the amount of unauthorized assistance.

384 Determining That Unauthorized Assistance Was Given (Continued)**D Notifying Borrower if Unauthorized Assistance Is Because of Inaccurate Information or FSA Error**

If the authorized agency official determines that the unauthorized assistance is because of inaccurate information or FSA error, the authorized agency official will notify the borrower of the unauthorized assistance according to paragraph 386.

E Unauthorized Assistance Because of False Information

If an authorized agency official suspects or determines that unauthorized assistance was given to a borrower because of false information, the authorized agency official will notify *--FLC. The authorized agency official will send FLC a copy of the documentation created according to subparagraph C. FLC will then notify SED of the unauthorized assistance--* case. FSA will immediately seek guidance from OGC and/or OIG before final completion of servicing.

--If SED concurs with FLC's findings, SED will request OGC and OIG guidance according-- to Part 11, Section 2 before any further action is taken.

385 Determining the Value of Unauthorized Assistance**A Amount of Unauthorized Assistance**

If FSA determines that a borrower received unauthorized assistance on a loan, FSA will consider the entire loan unauthorized. For example, if a borrower received a \$100,000 EM but was eligible for only a \$90,000 EM, the entire \$100,000 EM is unauthorized, not just the \$10,000 above the EM eligibility limit. However, a borrower may continue with an unauthorized loan if the borrower remits the portion of a loan that made the loan unauthorized. For example, if a \$100,000 EM was made, but the borrower was only eligible for a \$90,000 EM, the borrower can continue with the loan on program terms if the \$10,000 is remitted to FSA. A borrower who received an interest subsidy may also continue with a loan after remitting the amount of the interest subsidy the borrower was not eligible to receive. If the \$10,000 is not remitted, then processing will continue according to paragraph 387.

386 Notifying Borrower of Unauthorized Assistance**A General Policy**

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

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

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

If the unauthorized assistance meeting cannot be held or corrective action taken within 30 calendar days, the account will be in non-monetary default and the borrower will be *--notified according to Part 3 with concurrence of SED according to subparagraph 65 B.--*

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

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

D Notifying Borrowers Who Received Unauthorized Assistance Because of False Information

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

387 Recovering Unauthorized Assistance**A Meeting With the Borrower**

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

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

B Final Notification

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

The borrower must respond within 30 calendar days of the date of receipt of the letter and be prepared to complete the corrective action within 90 calendar days from the date of receipt.

If the unauthorized assistance corrective action is not completed, the account will be in *--non-monetary default and the borrower will be notified according to Part 3 with concurrence of SED according to subparagraph 65 B.--*

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.

387 Recovering Unauthorized Assistance (Continued)

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:

--If the borrower is unable to repay the entire unauthorized amount, the remaining unauthorized portion of the loan will be converted to a NP loan under the following conditions. A clarification to CFR is forthcoming.--

(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 RDBCSO, FLB 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 non-monetary 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.

Part 11 Bankruptcies and Civil and Criminal Cases

Section 1 Bankruptcy

401 FSA Actions When Borrower Files for Bankruptcy

A Overview

FSA must satisfy all requirements pertaining to a creditor in a bankruptcy proceeding, including the procedures under Chapter 7 (Liquidation), Chapter 11 (Reorganization), Chapter 12 (Adjustment of Debts of a Family Farmer with Regular Annual Income), or Chapter 13 (Adjustment of Debts of an Individual with Regular Income) of the Bankruptcy Code (11 U.S.C.), whichever is applicable. The authorized agency official must ensure that a valid Proof of Claim (POC) is filed before the filing deadline to ensure that collateral securing the direct loan is protected, and that all rights of participation are exercised or protected. The authorized agency official's responsibilities include, but are not limited to, the following requirements.

- Filing POC before the filing deadline where required. See subparagraph 403 B for additional guidance.
- Attending, and where necessary, participating in meetings of the creditors and court proceedings.
- Protecting the collateral securing the direct loan and resisting any adverse changes that may be made to the collateral. If the debtor remains in possession, the authorized agency official must monitor for any adverse changes that may be made to the collateral and should notify OGC/DOJ to discuss whether legal action is necessary to protect FSA's interest.
- If the trustee in bankruptcy has taken action to liquidate FSA's collateral, the authorized agency official must cooperate with the trustee in the administration of the estate. Such cooperation, however, should not preclude FSA from opposing actions of the trustee that do not advance the interests of the Agency. The authorized agency official should attend and observe any public sales of collateral held by the trustee and should be prepared to submit a minimum bid, if appropriate.
- Monitoring confirmed plans under chapters 11, 12, and 13 of the bankruptcy codes to determine borrower compliance. If the borrower fails to comply, notify OGC/DOJ to discuss whether FSA should seek relief from the automatic stay.
- Notifying OGC of the bankruptcy filing and keeping OGC regularly informed in writing of all aspects of the proceedings.

* * *

401 FSA Actions When Borrower Files for Bankruptcy (Continued)

* * *

B Suspending Loan Servicing

If a borrower files a bankruptcy petition, the authorized agency official will suspend all pending special servicing and collection actions. The authorized agency official will notify the attorney representing FSA in any foreclosure action that the foreclosure action must be placed on hold, and FSA will continue to monitor the account and conduct regular servicing to protect the interests of the Government.

All routine servicing correspondence will be sent to the borrowers' attorney with copies to all borrowers. The correspondence should include one or more prominently displayed disclaimers that affirmatively state that FSA is not attempting to collect discharged debt against the debtor personally. An example of a disclaimer that could be used for these purposes would be:

THIS INFORMATIONAL NOTICE IS NOT AN ATTEMPT TO COLLECT A DEBT. IT IS A LEGALLY REQUIRED NOTICE OF FSA'S RIGHT TO [insert reason for notice]. FSA IS ONLY EXERCISING ITS RIGHTS AS ALLOWED BY LAW. FSA RESERVES THE RIGHT TO EXERCISE ANY LEGAL RIGHTS.

With prior approval of OGC, the authorized agency official should contact the debtor's attorney to seek permission to schedule any required farm visits, inspections, or appraisals.

If the agency's UCC's or other security instruments need to be renewed, modified, amended, filed, or released the authorized agency official will send all borrowers FSA-2410 or similar document approved by OGC, with a copy to the borrowers' attorney .

FSA must exercise due caution to avoid violating the terms of the automatic stay. Authorized agency officials must ensure that any discussions with the borrowers are not viewed as attempting to collect a debt.

402 Borrowers' Rights and Responsibilities About Loan Servicing (Continued)

E When a Bankruptcy Plan Is Confirmed Before Servicing or Appeals Are Completed

[7 CFR 766.303(b)] If a plan is confirmed before servicing and any appeal is completed under 7 CFR part 11, the Agency will complete the servicing or appeals process and may consent to a post-confirmation modification of the plan if it is consistent with the Bankruptcy Code and subpart C (Part 3) of this part, as appropriate.

Before completing the servicing or appeals process post-confirmation, the authorized agency official will confirm with the borrower's attorney (if the borrower has an attorney) or the borrower if not represented, that they still desire to proceed with the servicing or appeals process.

F Chapter 7 Servicing Requirements

[7 CFR 766.303(c)] A borrower filing for bankruptcy under Chapter 7 of the Bankruptcy Code may not receive primary loan servicing unless the borrower reaffirms the entire Agency debt. A borrower who filed chapter 7 does not have to reaffirm the debt in order to be considered for homestead protection.

To be effective, a reaffirmation agreement must be "made" prior to entry of discharge. Therefore, a reaffirmation agreement that was signed post-discharge does not restore the borrower's personal liability for FSA's debt.

If the borrower asks FSA for a copy of a reaffirmation agreement, the authorized agency official should refer the borrower to their attorney, as it is the attorney/borrower's responsibility to provide FSA with the agreement. If the borrower does not have an attorney, the reaffirmation documents can be obtained from the U.S. courts website referenced in subparagraph 403 A. * * *

The authorized agency official must review boxes 1 through 5 of the borrower's prepared Cover Sheet for Reaffirmation Agreement and all of Part I of the borrower's prepared Reaffirmation Agreement for accuracy and to ensure it does not change the terms of the outstanding agency indebtedness before signing the Reaffirmation Agreement. The authorized agency official may assist the borrower by providing this information to the borrower's attorney or to the borrower.

--Once the borrower obtains permission from the court and reaffirms the debt, the authorized agency official will process the primary loan servicing application, or remaining servicing options as indicated in Exhibit 34.--

If the borrower reaffirms the debt in order to be considered for primary loan servicing as indicated in Exhibit 34, but FSA later denies the servicing, the borrower may revoke the reaffirmation to the extent allowed by provisions of the Bankruptcy Code.

403 Filing POC

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 must request additional information as needed from the authorized agency official.

Unless the bankruptcy case is characterized as a no-asset Chapter 7, FSA is required to file POC to receive payments from a debtor in bankruptcy. Copies of all official bankruptcy forms can be found at <https://www.uscourts.gov/forms/bankruptcy-forms>.

POC should be filed using the document from the U.S. courts website or similar document approved by the court. FSA's POC must be accompanied by supporting documentation that is properly redacted to protect personally identifiable information according to FSA policy and Bankruptcy Court requirements. Supporting documentation would include:

- copies of all properly redacted promissory notes and addenda (including copies of promissory notes that were previously restructured)
- copies of all assumption agreements, shared appreciation agreements, disaster set asides, distressed borrower set asides, and supplemental payment agreements
- copies of all recorded mortgages/deeds of trust
- copies of all security agreements
- evidence of perfection of a security interest (i.e., copies of all UCC filings) as well as EFS filings (if applicable)
- a copy of the judgment of foreclosure (if applicable)
- *--in a Chapter 13 bankruptcy, if FSA has a lien on the debtor's primary residence, FSA must also prepare and attach form B410A.--*

Note: If any FSA loan documents or security instruments are lost or have been destroyed, FSA should include an affidavit or declaration that explains the circumstances of the loss or destruction. Consult with OGC regarding the proper format for the *--declaration.--*

State Office will consider registering for a PACER account to file POC electronically if permitted by the bankruptcy court. State Office may consider providing access to PACER for field staff. A Statewide shared login and password may be used as allowed by PACER. For more information, see <https://www.uscourts.gov/court-records/electronic-filing-cmecf>.

403 Filing POC (Continued)

A Role of the State Office (Continued)

When filing online, FSA staff should pay close attention to the total size of the documents to be filed (including attachments) to avoid having POC rejected for exceeding any limits imposed by the clerk's office for a particular jurisdiction.

State Office will be responsible for preparing and filing CCLR with DOJ when FSA or OGC requests DOJ's assistance with a bankruptcy filing. The CCLR and instructions are available at <https://www.justice.gov/jmd/debt-collection-management-staff>.

B Timely Filing POC

--FSA's POC is due within 180 calendar days after the petition date. If another POC deadline appears to be set for governmental creditors, FSA should also meet that deadline unless advised otherwise by OGC. However, FSA staff are encouraged to file POC as soon as-- FSA has collected all of the information needed to complete POC (such as an updated appraisal, etc.).

- Unless otherwise directed, SED will provide OGC with a complete copy of the filed POC *--and supporting documents. Use form B410 to complete a POC and form B410A when FSA has a lien on a primary residence in a Chapter 13 case, available at <https://www.uscourts.gov/forms/bankruptcy-forms/proof-claim-0> and <https://www.uscourts.gov/forms-rules/forms/proof-claim-attachment-a-0>.
- The authorized agency official will consult OGC to determine when form B410S2 Notice of Post-Petition Mortgage Fees, Expenses and Charges will be completed in a Chapter 13 case where FSA has a lien on the primary residence and filed to ensure the agency's post-petition costs are included in secured bankruptcy claims. Any form B410S2 notice must be filed within 180 days of when FSA incurred the fees or costs and is available at <https://www.uscourts.gov/forms-rules/forms/proof-claim-supplement-2-0>.--*

Note: Real estate appraisal costs will be determined according to 1-FLP, Exhibit 25, usually based on the date of the appraisal and not when the cost is applied to the borrower's account. When possible, it may be beneficial to delay submitting POC until the transaction is displayed in the customer history screen, otherwise it is *--possible to submit an amended POC or form B410S2 with OGC concurrence.--*

- SED will issue a State supplement detailing the procedures for filing a POC and supporting documents.

C Actions for Borrower Under a Chapter 7 No-Asset Case

POC should not be filed if the Chapter 7 case is listed as a no-asset case. If the trustee subsequently discovers assets, the trustee will notify FSA if/when a POC needs to be filed.

403 Filing POC (Continued)**D Actions for Borrower Under Chapters 7 Asset Cases and Chapter 11, 12, or 13**

A copy of the filed POC should be submitted to OGC, along with a memorandum that identifies the security that FSA took for each FLP loan.

If FSA obtained a judgment against the borrower before the bankruptcy filing, FSA should consult with OGC to determine whether the judgment should be used as the basis for FSA's POC.

With advice from OGC, SED 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.

E Chapter 13 Bankruptcies When FSA Has a Lien on the Debtor's Principal Residence

If FSA's debt is secured by the borrower's principal residence, FSA should file POC and *--POC, Attachment A.--*

If FSA's claim is secured by the debtor's principal residence, and the debtor's plan provides that either the trustee or the debtor will make contractual installment payments, FSA should file and serve the Notice of Mortgage Payment Change upon the debtor, debtor's counsel, and the trustee whenever the payment amount changes. This notice must be filed no later than 21 calendar days before a payment in the new amount is due.

If FSA's claim is secured by the debtor's principal residence, and FSA incurs post-petition fees, expenses or charges, FSA should file and serve the Notice of Post-Petition Mortgage Fees, Expenses and Charges upon the debtor, debtor's counsel, and the trustee. This notice must be filed within 180 calendar days after the date upon which the post-petition fees, expenses and charges were incurred.

Note: OGC should be consulted about the filing of Notice of Mortgage Payment Change and Notice of Post-Petition Mortgage Fees, Expenses and Charges as some courts may not require the documents.

404 Reviewing Borrower's Reorganization Plan

A Referral and Recommendation to SED

The authorized agency official will review the debtor's bankruptcy schedules to determine whether FSA's claim is accurately stated.

- Pay close attention to Schedule A/B, Part 6 (debtor's description of farm property), Schedule D (list of secured claims), Schedule I (debtor's income), and Schedule J (debtor's expenses). Also review the debtor's Statement of Financial Affairs, which identifies affiliated businesses, payments, losses, transfers of property, and the Statement of Intention for Individuals Filing Under Chapter 7 for Chapter 7 debtors.
- Review the debtor's operating reports if the debtor is operating as a debtor-in-possession.
- If FSA is a secured creditor, evaluate whether FSA's security interest in the debtor's property remains perfected by doing an updated UCC lien search and real estate lien search (if applicable).

Upon receipt of a proposed bankruptcy plan that calls for adjustment of FSA debt, the authorized agency official will consult with OGC to determine whether the matter should be referred to DOJ for anticipated assistance, such as filing an objection to the plan or seeking relief from the automatic stay.

If the debtor's plan proposes to reduce FSA's secured claim (aka Cram Down) to the value of FSA's collateral, an appraisal may be necessary after consultation with OGC.

The authorized agency official should recommend to OGC and DOJ that they pursue adequate protection payments from the borrower when the:

- debtor's plan does not provide for payments to begin immediately
- debtor proposes to use, sell, or lease FSA's collateral including cash collateral
- debtor proposes to "prime" FSA's lien as part of a proposal to obtain post-petition financing from a third party.

B Subsequent FSA Loans to Borrowers in Bankruptcy

If FSA receives any form of loan request from a borrower in bankruptcy, the authorized agency official must consult with OGC and/or DOJ before approving the loan request. In order for FSA to consider approving a subsequent loan, the authorized agency official will ensure the following:

404 **Reviewing Borrower's Reorganization Plan****B Subsequent FSA Loans to Borrowers in Bankruptcy (Continued)**

- borrower must submit a complete application according to 3-FLP and must be determined eligible
- borrower has resolved any existing non-monetary default issues and/or concerns about the borrower's lack of good faith
- the terms of the proposed loan (loan amount, interest rate, repayment term, and FSA's receipt and application of payments) must be approved in advance by the bankruptcy court
- the proposed security for the subsequent loan must be approved in advance by the bankruptcy court and be adequate to ensure repayment of FSA's debt; in most cases, this will require that FSA be granted a super-priority lien on the proposed security
- borrower's bankruptcy plan already allows for new secured loans, or is modified to provide for payment of FSA's loan(s)
- borrower's bankruptcy plan remains feasible, or will be feasible as modified.

If the borrower is determined to be eligible for a subsequent loan according to 3-FLP, the authorized agency official will consult with OGC and DOJ to ensure the following are considered:

- borrower has not taken actions which would appear to lack good faith
- borrower has addressed all non-compliance issues/concerns with loan agreements and documents including terms of confirmed plan (payment of taxes and maintenance of insurance)
- borrower's plan adequately addresses the valuation of FSA's existing security
- FSA receives relief from the automatic stay upon default of existing and subsequent loan payments
- *--borrower's proposed motion to borrow and proposed order allowing for the loan, or plan/modified plan, provide all the necessary loan terms, security and property, approvals, and bankruptcy protections.--*

The authorized agency official shall consult with State Office to ensure all loan closing conditions have been met before scheduling a loan closing

404 Reviewing Borrower's Reorganization Plan (Continued)**C FSA Actions After Court Confirms Plan**

Within 30 calendar days of receiving notification of the bankruptcy reorganization plan confirmation, SED will notify RD Business Center, FLB of the terms and conditions of the plan including any adjustment of the FSA debt, using FSA-2574. See paragraph 410 for additional guidance. SED should attach to FSA-2574 a copy of the reorganization plan, signed order of confirmation, and discharge order if applicable.

RD Business Center, FLB 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 32-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.

The authorized agency official will review the account within 15 calendar days of RD Business Center, FLB completing the transaction, to ensure the adjustments to the account were completed correctly.

***--Note:** If the borrower did not reaffirm FSA's debt before receiving a discharge in an earlier Chapter 7 bankruptcy and a subsequent Chapter 11, 12, or 13 confirmed plan modifies the terms of payment to FSA, FSA must convert the debt to a non-program loan that contains the rates and terms found in the confirmed plan.--*

D Application of Payments

When a confirmed bankruptcy plan restructures or reduces FSA's secured claim, the plan will typically provide for periodic payments on the secured debt, and for little or no payments on the unsecured portion of the debt.

The County Office must ensure that:

- payments it receives on the secured portion of the claim are applied as "regular payments" to the new, secured note (or notes, if applicable) created according to subparagraph 410 A
- any payments received on the secured debt are not applied to the unsecured debt.

404 Reviewing Borrower's Reorganization Plan (Continued)**D Application of Payments (Continued)**

If any payments are received on the unsecured debt, FSA must ensure they are applied to the unsecured debt and not the secured debt.

The authorized agency official should consult with OGC to determine whether the proceeds from the sale of security or other assets should be applied to an arrearage or as a "regular payment" rather than applying the proceeds as an "extra payment" according to 4-FLP, Part 5.

If OGC determines that payments should be applied to the arrearage or as a "regular payment", State Office will review the account within 15 calendar days of the transaction being completed to ensure payments to the account were applied correctly.

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, or immediately in Chapter 13 if the trustee has filed a Trustee's Notice of Disbursements Made or Motion Under Rule 3002.1(g)(4) to Determine Final Cure and Payment of the Mortgage Claim if the account is past due, 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.

Before contacting OGC, the authorized agency official will review payments applied to the borrower's account, the confirmed plan, and trustee reports through PACER (for some trustees, reports may be on a trustee's website such as <https://www.13network.com/>), to confirm that all bankruptcy payments have been applied according to the terms of the confirmed plan.

Often the trustee is required to make distributions from the borrower's payment to pay administrative fees. FSA should receive all of the allocated payment before the borrower receives a discharge and case is closed by the court. As long as the borrower is making the designated payment to the trustee, FSA should not take any additional action against the borrower.

If the borrower fails to remit payments directly to FSA or to the trustee as required by the confirmed plan, State Office should consult with OGC and DOJ to pursue relief which may include relief of stay or dismissal of the bankruptcy. If the bankruptcy is dismissed, see 5-FLP, subparagraph 405 C.

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, as all of the borrower's servicing rights are exhausted.

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

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 unless FSA has previously accelerated the account.

***--Example 1:** A borrower was 90 calendar days past due on January 1. The authorized agency official notified the borrower of available Primary Loan Servicing options on January 15. The borrower received the servicing package on January 20. The borrower did not respond to the servicing notification and remained delinquent. FSA sent the Notice of Intent to Accelerate on April 30. On May 15, FSA was notified that the borrower filed Chapter 12 bankruptcy. The authorized agency official sends the Exhibit 34 to the borrower's attorney stating the borrower has exhausted all servicing options. The court enters the confirmed plan on June 15 and FSA restructures the borrower's account. The borrower makes 1 full payment on the confirmed plan. On August 1, FSA receives an order of dismissal. FSA reverts the borrower's account to pre-petition terms and proceeds with acceleration.--*

Exception: If the payment de-accelerated the account under State law, a new servicing notification package is required. SED will issue a State supplement to clarify this exception.

405 FSA Actions When Borrower Defaults on Reorganization Plan or Court Dismisses Bankruptcy While Under Court Jurisdiction (Continued)

C Servicing a Borrower When a Bankruptcy Is Dismissed After a Confirmed Plan (Continued)

--If the borrower does not make at least 1 full payment to FSA according to the confirmed plan, 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.

*--**Example 2:** A borrower was 90 calendar days past due on January 1. The authorized agency official notified the borrower of available Primary Loan Servicing options on January 15. The borrower received the servicing package on January 20. On February 15, FSA was notified that the borrower filed Chapter 12 bankruptcy. The authorized agency official sends the Exhibit 34 to the borrower's attorney providing 60 calendar days to apply for servicing and stating that all servicing options remain available. The borrower does not return the servicing package. The court enters the confirmed plan on March 15 and FSA restructures the borrower's account. The borrower makes 1 full payment on the confirmed plan. On June 1, FSA receives an order of dismissal. FSA reverts the borrower's account to pre-petition terms and re-notifies the borrower of remaining Primary Loan Servicing options. The borrower will have 35 days (balance of time remaining from the original servicing notification to the petition date) from the date of receiving the applicable servicing notice to apply for servicing.--*

D Returning the Borrowers Account to Pre-Petition Terms When a Bankruptcy Is Dismissed After a Confirmed Plan

Within 30 calendar days of receiving notification from the bankruptcy court of the order of *--dismissal, SED will submit FSA-2574 to RD Business Center, FLB to reverse the payments on the post-petition loan and reinstate the terms of the pre-petition note. Any reversed payments should be reapplied to the pre-petition note, effective as of the same date the payment was originally received.--*

E Resuming TOP and Internal Offset

OGC will be consulted before FSA determines whether the borrower is eligible for offset according to 7-FLP, Parts 3 and 4.

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’s records to determine whether FSA will cancel any discharged debt.

--If all liable parties are discharged, no security remains for that portion of the debt, 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 RD Business Center, FLB for processing the debt cancellation.

RD Business Center, FLB 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 non-discharged individuals, entities, etc., and any remaining security
- take all allowable collection actions in a timely manner, including collection of unsecured *--account balances that were not discharged 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 non-discharged individuals, would be appropriate and/or financially beneficial to the Government

Note: Unless they meet the requirements for FSA-2731, Cancellation of Debt Without Application, partial cancellation of debt requires each non-discharged individual to complete FSA-2732, Debt Settlement Application. Partial debt settlement applications will be processed according to 7-FLP Part 12 with FSA-2731 and FSA-2732 transactions processed concurrently.

- monitor these accounts closely to ensure timely resolution.

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.

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

D Servicing if the Borrower Defaults on the Confirmed Reorganization Plan

If a borrower becomes 90 calendar days past due or is in non-monetary 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 FSA believes the account is in non-monetary default, before making a formal determination, State Office will consult with OGC to ensure the notification is consistent with the borrower's confirmed plan.

***--E Responding to Notice of Disbursements Made in Chapter 13 Bankruptcy**

Within 28 calendar days of receipt of the Trustee's Notice of Disbursements Made, FLC will complete form B410C13-N, Response to Trustee's Notice of Disbursements Made. Form B410C13-N must be filed in PACER as a supplement to the POC and mailed to the debtor, the debtor's attorney, and the trustee.--*

If the prepetition arrearage has not been paid in full and the borrower is not current with all post-petition payments, including all fees, charges, expenses, and costs, FLC will attach an itemized payment history according to the instructions in Part 4 of form B410C13-N, available at <https://www.uscourts.gov/forms-rules/forms/response-trustees-notice-disbursements-made>.

Within 28 calendar days of receipt of a Motion Under Rule 3002.1(g)(4) to Determine Final Cure and Payment of the Mortgage Claim, if FSA disagrees with the motion, FLC will complete form 410C13-M2R Response to [Trustee's/Debtor's] Motion to Determine Final Cure and Payment of the Mortgage Claim. Form 410C13-M2R must be filed in PACER as a supplement to the POC and mailed to the debtor, the debtor's attorney, and the trustee.

When applicable, FLC will attach an itemized payment history and/or other relevant information according to the instructions in items 4 and 5 of form 410C13-M2R.

The form is available at https://www.uscourts.gov/sites/default/files/document/form_410c13-m2r.pdf.--*

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 or conducting offsets. 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.

Note: Obtaining relief from the automatic stay does not supersede FSA's normal servicing requirements which require the account to be accelerated before liquidating the borrower's security. See paragraphs 534 and 537 for additional guidance. If FSA is unable to timely accelerate the account or is unable to timely liquidate security OGC will be consulted, in an effort to develop strategies with DOJ, the borrower's attorney, and the trustee to liquidate abandoned security.

407 Liquidation During Bankruptcy (Continued)**B Chapter 7 Cases After Discharge (Continued)**

Collection of unsecured account balances will continue for all remaining liable borrowers through offset and referral to Treasury as set forth in 7-FLP.

In community property States:

- the authorized agency official will consult with the regional OGC, as needed, before pursuing separate collection action against a non-discharged borrower who is the spouse of a discharged borrower
- when collection action cannot be taken against a non-discharged spouse and the non-discharged spouse is the only remaining liable obligor for the unsecured loan balance, only the individual or entity receiving the discharge will be listed on FSA-2731.

C Canceling the Debt When All Liable Parties Are Discharged

If all liable parties are discharged and the FSA security is liquidated, FSA may cancel the debt using FSA-2731 according to 7-FLP, Part 12.

D Notifying Borrower if Servicing Options Are Remaining

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

E When FSA Previously Notified the Borrower of Servicing Options

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

Note: The borrower may not appeal the acceleration.

407 Liquidation During Bankruptcy (Continued)**F Discharged Borrower Keeps FLP Loans Current**

Borrowers who have received a bankruptcy discharge may continue to pay FLP loans that are *--secured by real estate or basic security. In these cases, OGC may advise that foreclosing--* against the security is not possible unless the secured loans become delinquent.

The authorized agency official will:

- ensure that the account remains flagged “BAP” according to subparagraph 401 B
- monitor the TOP screens to ensure that all unsecured discharged loans are removed from TOP consideration according to 7-FLP, Part 4
- continue monitoring the account until the secured loans are paid in full or become delinquent.

If the secured loans become delinquent, consult with the regional OGC, as needed, to determine whether any additional notices must be sent before liquidating the security.

In some cases, it may be appropriate and/or in the Government’s best interest to process partial cancellation of debt. Partial cancellation will be completed using FSA-2731 according to 7-FLP, Part 12.

Partial cancellation in these situations may assist FSA to:

- comply with the bankruptcy discharge order by ensuring that no erroneous offset collection is taken on the discharged unsecured loans that are still showing as delinquent in FSA’s financial system
- reduce the amount of uncollectible debt FSA must continue to monitor and include in reports.

408 (Withdrawn--Amend. 47)

409 (Withdrawn--Amend. 49)

410 Restructuring Borrower's Accounts According to the Terms of a Confirmed Plan

A State Office Responsibilities

When a confirmed bankruptcy plan restructures or reduces FSA's secured claim, the authorized agency official will complete FSA-2574 to restructure the account. Restructured loans should begin on the date provided in the plan. If the plan is silent on the date, the effective date of the plan should be used. The effective date is the date the court confirms the plan, unless the plan provides a different effective date.

Secured debt should be restructured to match the amount of secured debt, term, payment frequency, due dates, and interest rate the confirmed plan provides for the secured portion of FSA's claim.

Note: Restructuring can require multiple loan numbers when different parts of FSA's secured claim will be paid differently, such as when a debtor has an FO and term OL that are each being restructured under the confirmed plan.

*--Part B of FSA-2574 will be used to identify unsecured debt whenever a plan calls for payments to be made on unsecured debt. FSA-2574, Part B should not be completed if the plan calls for no payments on unsecured debt or provides that the debtors will pay all their disposable income on unsecured debt as payments of disposable income typically mean that the creditor will receive little, if any payment. When completing FSA 2574, Part B, the remaining balance of the pre-petition note will be the unsecured claim in item 25, unless the plan specifies the exact balance of unsecured debt owed to FSA or a portion of FSA's unsecured claim is disallowed.

Note: The authorized agency official will contact LSPMD at fsa-directloans@usda.gov before completing FSA-2574 where not all borrowers and co-borrowers have filed for bankruptcy, are subject to the confirmed plan or plans, and the plan calls for payments to be made on unsecured debt.

If all primary borrowers and co-borrowers are in bankruptcy, a confirmed plan or confirmed plans govern the debt of all primary borrowers and co-borrowers, and the debt becomes unsecured under the terms of the confirmed plan:

- The Unsecured Claim Amount in item 25 should be the outstanding balance of the pre-petition note(s) less any balances that are secured under the plan.
- The interest rate should be identical to the interest rate found in the pre-petition note, or the rate found in the plan if the plan provides that general unsecured creditors will be paid interest.*

410 Restructuring Borrower's Accounts According to the Terms of a Confirmed Plan (Continued)

A State Office Responsibilities (Continued)

- *--For unsecured debt, where the plan specifies the exact balance of unsecured debt or a portion of FSA's claim is disallowed, the authorized agency official will complete FSA-2574, Part B with the amount, rates, and terms of the confirmed plan.
- If FSA obtains a non-dischargeability judgment, non-dischargeable debt should be restructured at the amount and rate, with any payment terms, as found in the judgment. Depending on whether the judgment is currently secured or not, this information should be included in FSA-2574, Part A if currently secured, or Part B if currently unsecured.

When FSA sends FSA-2574 to restructure the account, RD Business Center, FLB will establish the borrower's account according to the reorganization plan and flag the account "SAA" (Exhibit 11) when it is applicable, as described in subparagraph 404 C.

Note: When the primary borrower is an entity, the entity is not in bankruptcy just because the co-borrowers have filed for bankruptcy. When the borrowers are entities and individuals, or family members other than spouses, the borrowers will have to file several bankruptcies for the plan to address FSA debt owed by all borrowers. Sometimes these different bankruptcies will be consolidated or jointly administered, and 1 plan may control the FSA debt for all borrowers. Without consolidation or joint administration, the separate bankruptcies will have separate plans. If separate plans will be filed, FSA should ensure the treatment of the FSA debt is consistent in each of the plans.

If all borrowers and co-borrowers have not filed for bankruptcy, debt that is not secured under the terms of the confirmed plan will remain on the pre-petition note. The unsecured debt should bear the same interest rate, installment amounts, and installment due dates as the pre-petition note(s). The principal balance should be the outstanding balance of the pre-petition note(s) less any balances that are secured under the plan.--*

The sale of surrendered FSA collateral should be applied as an extra payment on a restructured loan as provided in the plan. Whether this should be applied to a particular restructured secured loan or restructured unsecured loan will depend on the terms of the plan, and FSA should receive confirmation from OGC how to apply the extra payment.

410 Restructuring Borrower's Accounts According to the Terms of a Confirmed Plan (Continued)

A State Office Responsibilities (Continued)

Notes: All amounts of debt on FSA pre-petition notes that are restructured or reduced *--under a confirmed plan must be accounted for in FSA-2574, except for (1) pre-petition notes that are not restructured by the confirmed plan, or (2) portions of prepetition debt that have become unsecured under the plan that will not receive a payment, or will only receive payments based upon the debtor's disposable income. This includes loan numbers for advances that were tied to the restructured or reduced notes.

The authorized agency official will contact LSPMD at fsa-directloans@usda.gov before completing FSA-2574 where not all borrowers and co-borrowers have filed for bankruptcy, are subject to the confirmed plan or plans, and the plan calls for payments to be made on unsecured debt.

FSA-2574 and the borrower's confirmed plan and confirmation order should be reviewed by the County Office to ensure the payments received are applied according to subparagraph 404 D.--*

411-420 (Reserved)

Part 12 Liquidation Overview

441 Introduction to Liquidation

A General Information

Parts 13 through 17 address complete liquidation of security. Partial disposition of security is handled according to 4-FLP, Part 7. The liquidation parts are:

- Part 13, Voluntary Liquidation
- Part 14, Voluntary Conveyance of Security
- Part 15, Loan Acceleration
- Part 16, Involuntary Liquidation
- Part 17, Liquidation by a Third Party.

While FSA works with a borrower to complete voluntary liquidation, FSA does not delay involuntary liquidation procedures to accommodate the borrower.

B Voluntary Liquidation

A borrower may voluntarily liquidate FSA loan security by 1 or more of the following:

- selling security as described in Part 13
- transferring security as described in 4-FLP, Part 9
- conveying security as described in Part 14.

A current borrower or a borrower in default may voluntarily liquidate FSA security.

FSA does not set any time limits or establish formal procedures for the current borrower who voluntarily decides to sell farming assets, as long as the borrower continues to meet all FSA loan obligations and liquidates the security according to FSA requirements.

C Involuntary Liquidation

If a borrower in default has received all servicing options, is unable to develop a feasible plan, and does not voluntarily liquidate FSA security according to FSA mandated servicing timeframes, FSA will initiate or continue involuntary liquidation actions according to Part 16.

441 Introduction to Liquidation (Continued)

***--D Quarterly Report on Seriously Delinquent Accounts**

At the end of each fiscal year, the Department of Treasury requires federal agencies to submit information for Treasury’s Report on Receivables (TROR). The TROR considers any account greater than two years past due as seriously delinquent, unless it is identified as employee defalcation, FAP, BAP, CAP, SAA, TPJ, CNC or with an open civil rights complaint (OAC1 without an OAC7).

County and State Offices will utilize the OBIEE report entitled “Direct Delinquency Aging Report (DIRDLQ3C)” to obtain a list of their seriously delinquent accounts. The following table provides instructions for accessing and pulling this report:

Step	Action
1	Access OBIEE Reports/Dashboards.
2	Select “FLP Direct Reports” under the “Farm Loan Programs Data Mart”.
3	Select “Direct Delinquency Aging Report (DIRDLQ3C)” under the “FLP Loan Servicing” category.
4	Adjust the selection criteria to your state and/or district, service office, county.
5	Adjust the Aging Category to select at a minimum, accounts that have been delinquent for 2 years or more (categories F through I).
6	Click “Apply”
7	Click either “PDF” or “Excel” under “Detail Report Format”.

To minimize debt reported on TROR as well as accounts exceeding SOL (see Exhibit 47), LSPMD will contact the SED and FLC each quarter regarding accounts identified as eligible for inclusion on TROR. The FLC will be asked to provide a status report on each TROR eligible account.--*

442 Conditions for Liquidation**A Current Borrowers**

With prior Agency approval, a borrower who is not in default may voluntarily liquidate the security to repay FSA loans in full. The borrower may apply for debt settlement according to 7-FLP, Parts 8 and 12 if complete liquidation of all FSA loan collateral will not satisfy the FSA debt.

If FSA has not and/or will not pursue a deficiency judgment according to subparagraphs 421 G and 533 F, the unsecured account balance will be serviced through offset and referral to Treasury as set forth in 7-FLP.

B Program Borrowers in Default

[7 CFR 766.351(b)] (1) If the borrower does not apply, does not accept, or is not eligible for primary loan servicing, conservation contract, market value buyout or homestead protection, and all administrative appeals are concluded, the Agency will accelerate the borrower's account in accordance with §§766.355 and 766.356 (Part 15), as appropriate.

(2) Borrowers may voluntarily liquidate their security in accordance with §§ 766.352, 766.353 and 766.354 (Part 13). In such case, the Agency will:

(i) Not delay involuntary liquidation action.

(ii) Notify the borrower in accordance with subpart C (Part 3) of this part, prior to acting on the request for voluntary liquidation, if the conditions of paragraph (b)(1) of this section have not been met.

If a borrower in default wants to voluntarily liquidate security before FSA accelerates the borrower's loans, the borrower must pursue voluntary liquidation according to the applicable liquidation method as described in Parts 13 and 14 or 4-FLP, Part 9. However, FSA will continue to notify the borrower of primary loan servicing according to Parts 3 and 6 and to follow the process of acceleration and involuntary liquidation without delay. When discussing voluntary liquidation with the borrower, they should be informed that if they are in default and the default cannot be cured, FSA cannot pause and will continue to process the account to acceleration and liquidation if necessary. The authorized agency official must be aware that several actions may need to be taken simultaneously.

444 General Issues (Continued)

B NP Borrowers

[7 CFR 766.351(c)] If a borrower has both Program and Non-program loans, the borrower's account will be handled in accordance with paragraph (b) (subparagraph 442 B) of this section. If a borrower with only Non-program loans is in default, the borrower may liquidate voluntarily, subject to the following:

- (1) The Agency may delay involuntary liquidation actions when in the Agency's financial interest for a period not to exceed 60 days.**
- (2) The borrower must obtain the Agency's consent prior to the sale of the property.**
- (3) If the borrower will not pay the Agency in full, the minimum sales price must be the market value of the property as determined by the Agency.**
- (4) The Agency will accept a conveyance offer only when it is in the Agency's financial interest.**

--See the automated worksheet in Exhibit 37 to help determine whether an offer of-- voluntary conveyance is in FSA's best interest.

(5) If a Non-program borrower does not cure the default, or cannot or will not voluntarily liquidate, the Agency will accelerate the loan.

Exhibit 38 will be used to notify NP borrowers of the default 10 calendar days after a payment is missed. At 30 calendar days past due, NP borrowers will then be informed by Exhibit 39 that the account must be brought current or a liquidation plan submitted and that no further notice will be given before acceleration. FSA will begin servicing toward acceleration at 60 calendar days, according to paragraph 533. DD will send Exhibit 40 or 41 (for NP borrower who were discharged in bankruptcy) as soon as possible after the account is 90 calendar days past due by certified and regular mail on the same day.

In accordance with 1-APP, subparagraph 10 A, decisions or communications about nonprogram loans are not subject to appeal, mediation, or appealability review.

--See 7-FLP, Parts 3, 4, and 5 for offset guidance.--

444 General Issues (Continued)

C Multiple Loans and Multiple Types of Security

When a borrower has more than one FSA loan, FSA will involuntarily liquidate real estate and personal property for all the borrower's loans within a similar time period according to Part 16.

When a borrower liquidates both real property and personal property security, the borrower must follow the applicable procedures for liquidating each type of security. If a borrower intends to liquidate personal property security that may be considered a fixture on real property, the authorized agency official will determine whether the borrower may liquidate the personal property as part of the real property. This approach may be appropriate for irrigation equipment or other fixtures that serve as security for FO or other FSA loans. If the equipment or fixture does not contribute to the value of the real property or it is otherwise in FSA's best interest, FSA may require the borrower to sell the equipment or fixture as personal property.--*

445-460 (Reserved)

462 Voluntary Liquidation of Real Property (Continued)

D Sales That Do Not Satisfy the Borrower's Debt

[7 CFR 766.352(a)] (4) The Agency will approve the sale of property when the proceeds do not cover the borrower's full debt only if:

- (i) The sales price must be equal to or greater than the market value of the property; and**
- (ii) The sale is in the Agency's financial interest.**

If the borrower submits a debt settlement application with the sale request, the authorized agency official will forward the file to SED with the required debt settlement information as required by 7-FLP, Part 12.

--E SED Exception Authority and LSPMD Consent--

On an individual case basis, the SED may approve the sale for less than appraised value under this paragraph when:

- the offer is within ten percent (10%) of the appraised value and not less than NRV as *--projected on the automated worksheet in Exhibit 60--*
- the property has been professionally and extensively marketed
- the offer represents the best recovery to FSA.

* * *

*--LSPMD may consent to allow real estate to be sold at public auction when:

- the auctioneer has experience selling real estate
- the auctioneer has a plan for advertising the auction, including where advertisements will be placed and how long they will run
- the auction will maximize FSA recovery over a traditional sale through a realtor.

States may submit requests for LSPMD consent under this subparagraph by e-mail to DAFLP at **SM.FSA.DCSa2.AdminException** or **AdminException@usda.gov.--*** Requests must address the requirements of subparagraph 4 B as well as the issues noted in this subparagraph.

462 Voluntary Liquidation of Real Property (Continued)**F Real Estate Auctions**

Except as set forth in subparagraph D or E, or unless the minimum bid will pay the account in full, borrower requests to sell real estate security at public auction may only be approved through Administrator's Exception. The request will address:

- information required under subparagraph 4 B
- auctioneer's experience with selling real estate
- auctioneer's plan for advertising the auction, including where advertisements will be placed and how long they will run
- how the auction will maximize FSA recovery over a traditional sale through a realtor
- *--FSA's estimated recovery from forced liquidation (automated worksheet in Exhibit 60)--*
- valuation and liquidation plan for personal property security
- appraised values of the property as it is being advertised and auctioned. This can be demonstrated with an appraisal that addresses separate tract values as an addendum.

G Approving the Sale

On an individual basis

After the authorized approval official signs FSA-2061 approving the borrower's request for sale of real property, FSA will provide a copy of the signed form to the borrower.

The authorized agency official may, but is not required to, attend the closing of the sale. If necessary, the authorized agency official may contact the borrower's closing agent to ensure proper distribution of the sale proceeds.

H Rejecting the Sale Request

If the request for sale is not approved, the authorized agency official will notify the borrower in writing of the reasons for not approving the sale and offer appeal rights. See 1-APP for explanation of borrower's appeal rights.

463 Closing the Sale of Real Property

A Processing the Sale Proceeds

After the sale, the authorized agency official will record the transaction and credit the borrower's account.

[7 CFR 766.352(a)(3)] The sale proceeds are applied in order of lien priority, except that proceeds may be used to pay customary costs appropriate to the transaction provided:

[7 CFR 766.352(a)(3)] (i) The costs are reasonable in amount;

Any costs beyond those believed reasonable by the authorized agency official must be supported by the borrower as being typical for similar transactions in the area.

[7 CFR 766.352(a)(3)] (ii) The borrower is unable to pay the costs from personal funds or have the purchaser pay;

[7 CFR 766.352(a)(3)] (iii) The costs must be paid to complete the sale;

Only costs essential for the actual sale will be released. Capital gains taxes are not considered essential for completing an actual sale and are not FSA's responsibility.

[7 CFR 766.352(a)(3)] (iv) Costs are not for postage and insurance of the note while in transit when required for the Agency to present the promissory note to the recorder to obtain a release of a portion of the real property from the mortgage.

Examples of customary costs may include the following:

- real estate taxes that must be paid to complete the transaction
- title examination
- surveys
- abstracts
- title insurance
- reasonable attorney's fees
- real estate broker's commissions
- judgment liens.

The borrower's closing agent will distribute sale proceeds according to lien priority, as *--specified on FSA-2061. See 4-FLP, Exhibit 25.5 for examples of how to complete FSA-2061.--*

The authorized agency official will apply the proceeds from the sale to the borrower's FSA loan account according to 4-FLP, Part 5.

The authorized agency official will record the sale through appropriate issuance, distribution, and filing to FSA records of the appropriate deeds and settlement documents.

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 part 761, subpart F of this chapter (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 FLP 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.

B SED Authority to Accept Applications from Estates

On an individual case-by-case basis, an Administrator's Exception under 7 CFR 766.353(a) to accept an application for voluntary conveyance of real property from an estate may be approved by SED according to this paragraph when:

- servicing the deceased borrower's account has been completed in accordance with 4-FLP, Part 10
- all other requirements in this part are met.

Administrator's Exception authority may not be further redelegated.

*--C Incomplete Applications

Process incomplete applications according to paragraph 10.--*

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

FSA must complete its due diligence process prior to taking real estate security into inventory via foreclosure or voluntary conveyance.

The authorized agency official will conduct a due diligence review to assess environmental risk according to 2-EQ. At a minimum, a qualified agency official will complete FSA-851 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 the automated worksheet in--* Exhibit 37 as clean-up is usually not required for sale of the property.

Prior departmental clearance will be obtained according to 2-EQ, subparagraph 61 D.

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.

498 Additional Requirements (Continued)

E Servicing Notifications

[7 CFR 766.353(b)(3)] The borrower has received prior notification of the availability of loan servicing in accordance with subpart C (Part 3) of this part.

F Full Liquidation

[7 CFR 766.353(b)(2)] The borrower conveys all real property securing the Agency loan; and

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

The authorized agency official will include in the borrower's case file any appraisal, environmental information, and title search from subparagraphs B, C, and D, respectively.

The authorized agency official will include a statement of the borrower's unpaid FSA debts with a printout from the appropriate ADPS DL or AI screens. Voluntary conveyance documentation must include information on prior and junior liens, as well as judgments, if not included in the conveyance offer.

499 Processing the Borrower's Conveyance Offer

A Forwarding the Case File

The authorized agency official will forward the completed case file to SED if required. The approval official may approve all conveyances and debt settlements according to the approval authorities set forth in 1-FLP, Part 2. The case file must contain the borrower's offer to convey, including all items listed in paragraph 497. In addition, the authorized agency official will develop a completed credit action in FBP including a recommendation to the approval official on whether to accept or reject the conveyance offer.

B Conditions for Conveying Real Property

[7 CFR 766.353(b)] The Agency will accept voluntary conveyance of real property by a borrower if:

(1) Conveyance is in the Agency's financial interest;

--The authorized agency official will use the automated worksheet in Exhibit 37 showing-- the recovery value from the conveyance. The approval official will accept the conveyance offer if the borrower's application meets all FSA conditions and if acceptance is clearly in FSA's best financial interest.

C Prior and Junior Liens

[7 CFR 766.353(c)] (1) The Agency will pay prior liens to the extent consistent with the Agency's financial interest.

(2) Before conveyance, the borrower must pay or obtain releases of all junior liens, real estate taxes, judgments, and other assessments. If the borrower is unable to pay or obtain a release of the liens, the Agency may attempt to negotiate a settlement with the lienholder if it is in the Agency's financial interest.

--The approval official will also use the information from the automated worksheet in-- Exhibit 37 to determine whether FSA will pay prior liens along with the conveyance. FSA may pay prior liens if the loan approval official expects a substantial recovery from the conveyance or if the lienholder objects to FSA accepting the conveyance subject to a prior lien.

The authorized agency official will charge any protective advances to pay prior liens to the borrower's account according to 4-FLP, Part 6.

If the borrower does not satisfy all junior liens, the loan approval official may contact junior lienholders to negotiate the most favorable settlement possible and determine whether it is in FSA's best interest to settle the lien.

519 Processing the Borrower's Conveyance Offer

A Preparing the Case File

The case file must contain the borrower's offer to convey, including all items in paragraph 517. In addition, the authorized agency official must include:

- a recommendation to the loan approval official about whether to accept the conveyance offer
- the authorized agency official's assessment and recommendation on the borrower's debt settlement application
- the authorized agency official will develop a complete credit action in FBP including a recommendation to the approval official on whether or not to accept or reject the conveyance offer.

--The authorized agency official will include documentation in FBP, including the results of the lien search, the personal property inspection, appraisal, and likely recovery value calculated using the automated worksheet in Exhibit 37.--

A memorandum will be included indicating that the borrower and the authorized agency official have reached a preliminary agreement on how, when, and where the borrower will deliver the personal property.

B Forwarding the Case File

The authorized agency official will forward the completed case file to SED. SED may approve all conveyances and debt settlements according to the approval authorities set forth in 1-FLP, Part 2. The case file must contain the borrower's offer to convey, including all items listed in paragraph 497. In addition, the authorized agency official should include a recommendation on acceptance of the offer.

C Evaluating the Offer

SED will accept conveyance of personal property only if:

[7 CFR 766.354(b)(3)] The conveyance is in the Agency's financial interest.

Conveyances of personal property will be approved only in extreme circumstances where no other option is possible.

519 Processing the Borrower's Conveyance Offer (Continued)**D Rejecting the Conveyance**

If SED determines that FSA should not accept the conveyance, SED or designee will:

- notify the borrower of FSA's denial in writing stating the reasons for the rejection and return FSA-2070 to the borrower

Note: As part of the written denial, the borrower will be given appeal rights according to *--1-APP. See 1-FLP, subparagraphs 42 A through 42 F for guidance on preparing appeal letters specific to FLP.--*

- send a copy of the rejection letter, FSA-2070, and the case file to the authorized agency official for continued account servicing.

The borrower may voluntarily liquidate security through other means.

FSA will not delay acceleration or involuntary liquidation action if SED rejects the conveyance.

E Accepting the Conveyance

If SED approves the offer, SED will return the case file to the authorized agency official with instructions for closing the conveyance. SED will include the following conditions in the approval:

- the authorized agency official must account for all personal property items listed in the conveyance offer
- the borrower must deliver the property according to an agreement reached between the borrower and the authorized agency official.

F Notifying the Borrower

The authorized agency official will notify the borrower of FSA's acceptance of the conveyance after all SED's conditions are met.

567 Foreclosure Sale (Continued)

C Calculating FSA's Bid

FSA will obtain a current market value appraisal according to 1-FLP, Part 6 before the sale. If the Farm Loan Chief or Farm Loan Specialist determines and documents that a potential liquidation value appraisal will be beneficial in determining FSA's bid, the appraisal order may request a potential liquidation valuation in addition to the market valuation. A potential liquidation valuation may be beneficial when all the following conditions are met:

- the property is in an economically depressed area
- the property has significant functional obsolescence, deferred maintenance, or marginal land resources
- a normal marketing effort is not possible because of brief exposure time, and
- consummation of the sale will be within a short period of time as established by State Law.

--The authorized agency official will use the automated worksheet in Exhibit 60 to calculate FSA's bid. The automated worksheet calculates the net recovery value, FSA's debt plus-- prior liens, and if obtained by appraisal, the potential liquidation value.

FSA usually bids whichever amount is less, but State supplements can be issued to address differing State Laws.

Note: FLC can request a noncash credit from LSPMD through an exception request when
--DOJ foreclosure fees are not properly included in the automated worksheet and the-- foreclosure sale has been completed.

[7 CFR 766.357(b)(1)] The Agency will charge the borrower's account for all recoverable costs incurred in connection with the foreclosure and sale of the property in accordance with § 765.203 (4-FLP, Part 6).

*--Before providing concurrence on the automated worksheet, SED shall ensure that the figures used to calculate the bid are well documented. A state supplement to Exhibit 60 is required in order to address redemption periods required to complete the automated worksheet.

The authorized agency official is required to evaluate whether using a letter of credit in lieu of ordering a Treasury check is an option. The party that will be accepting payment at the sale will be contacted to determine if a letter of credit could be used instead of a treasury check. If the authorized agency official is told that a letter of credit is acceptable, additional guidance should be requested from fsa-directloans@usda.gov--*

567 Foreclosure Sale (Continued)

C Calculating FSA's Bid (Continued)

On a case-by-case basis, SED may request an Administrator's Exception to the requirement of Exhibit 60 and associated paragraphs when the exception meets the requirements of paragraph 4. Examples of exceptions submitted in the past for Exhibit 60 include high risk of no recovery to the government and use of appraisals greater than 18 months old * * *.

Part 17 Liquidation by a Third Party

601 Introduction

A General Information

Involuntary liquidation by a third party occurs when another lienholder, either prior or junior to FSA's lien, repossesses or initiates foreclosure proceedings against the borrower's FSA security. Foreclosure by another lienholder constitutes a non-monetary default of the borrower's security instruments with FSA. See:

- *--Part 3 for loan servicing actions when a borrower is in nonmonetary default. Before taking action described in this Part (Part 17), the borrower must be sent FSA-2514 according to subparagraph 67 C. Under paragraph 65, third party foreclosure non-monetary default decisions can be made by the authorized agency official without obtaining SED concurrence.
- 4-FLP, Part 6 for handling other third-party actions taken against a borrower. See 4-FLP, subparagraph 101 A for additional guidance on dealing with real estate taxes and tax sales after acceleration of the account.
- See 4-FLP, subparagraph 101 A for requirements of protective advances, including documentation in FBP that the advance is in FSA's best interest based on equity available on the automated worksheet Exhibit 60.

Note: For a defensible negative decision, a current appraisal must be obtained; however, a completed automated worksheet in Exhibit 60 using the FSA-2132 valuation may be used to determine if equity exists to support an affirmative action.--*

SED, in consultation with OGC, will issue a State supplement, to provide detailed guidance related to a third party foreclosure.

B Recordkeeping

During involuntary liquidation by a third party, the authorized agency official must make entries into the FBP running record on the liquidation process and retain associated letters, forms, or other documentation in the borrower's case file. Maintaining a complete and accurate record of the foreclosure is essential to protect the interests of FSA and the borrower.

County Offices must add the "TPF" flag (Exhibit 11) in DLS to indicate there is a foreclosure filed by a third party. The "TPF" flag will be removed when the foreclosure is no longer applicable.

The "TPF" flag is available from the Manage Flags section of Customer Management. This is a DLS only flag, meaning that it will not process a transaction to ADPS. The flag will only be visible in DLS. Refer to the DLS User Guide for instructions to add and remove the flag.

601 Introduction (Continued)

C Contract Forfeiture

Cases involving contract forfeiture (when FSA's lien is behind a land purchase contract) will be handled according to the State supplement.

D Conducting a Due Diligence Review

FSA must complete its due diligence process before taking real estate security into inventory via foreclosure or voluntary conveyance. The authorized agency official will conduct a due diligence review to assess environmental risk according to 2-EQ. At a minimum, a qualified agency official will complete FSA-851 to determine whether FSA requires a more detailed environmental review.

Prior departmental clearance will be obtained according to 2-EQ, subparagraph 61 D.

602 Involuntary Liquidation by a Prior Lienholder**A Prior Lienholder Initiates Liquidation**

If there is a prior lienholder on FSA security and the prior lienholder initiates liquidation, the authorized agency official will take the following actions unless otherwise instructed by State supplement.

- In a nonjudicial foreclosure State, the borrower's case file will remain in the authorized agency official's office. The authorized agency official should provide information on the liquidation to SED and consult with SED and OGC as needed.
- In a judicial foreclosure State, the authorized agency official will send the borrower's case file to SED. SED receives all foreclosure and legal notices and consults with OGC as needed.

B Compiling Information on the Borrower's Account

The authorized agency official will compile information on the borrower's account and include it in the borrower's case file according to subparagraph A. For real estate security, the authorized agency official will include:

- a report on the borrower's payment of real estate taxes
- a report with information on other lienholders and judgments associated with the FSA security.

For personal property security, the authorized agency official will include:

- a current appraisal obtained according to 1-FLP, Part 6 at the appropriate time
- a report with information on other lienholders and judgments associated with the FSA security.

FSA will obtain a current market value appraisal according to 1-FLP, Part 6 before the sale. If the Farm Loan Chief or Farm Loan Specialist determines and documents that a potential liquidation value appraisal will be beneficial in determining FSA's bid, the appraisal order may request a potential liquidation valuation in addition to the market valuation. A potential liquidation valuation may be beneficial when all the following conditions are met:

- the property is in an economically depressed area
- the property has significant functional obsolescence, deferred maintenance, or marginal land resources
- a normal marketing effort is not possible because of brief exposure time
- consummation of the sale will be within a short period of time as established by State Law.

602 Involuntary Liquidation by a Prior Lienholder (Continued)**C Contacting the Prior Lienholder**

The authorized agency official may contact the prior lienholder as necessary to protect FSA's security interest. FSA may pay off the prior lien if:

- *--paying off the prior lien is in FSA's best financial interest according to the automated worksheet in Exhibit 60--*
- SED approves the pay-off to the prior lienholder.

Note: Paying off the prior lien holder should only be completed in rare instances, as it is not typically in FSA's best financial interest.

D Bidding at a Liquidation Sale

The policies and procedures for bidding at a real estate foreclosure sale by a prior lienholder are similar to the bidding process described in paragraph 567.

At the sale of personal property by a prior lienholder, FSA normally does not bid, but may bid when the personal property under the prior lien has a market value that is significantly more than the prior lien. If FSA holds a junior lien on several items, the authorized agency official should seek SED's advice on whether to enter a bid.

If FSA will not enter a bid at a foreclosure sale, SED will determine whether an authorized agency official will attend the sale and write a narrative report outlining the results of the sale and plans for future servicing of the borrower's account.

E Sale by Prior Lienholder Without FSA's Knowledge

If FSA learns that a prior lienholder has repossessed and intends to sell or has already sold property on which FSA has a lien, the authorized agency official immediately notifies the prior lienholder that FSA:

- has a lien on the property
- requires receipt of sale proceeds that exceed the prior lienholder's debt.

The authorized agency official also obtains guidance on the sale of security by a prior lienholder from SED and, as necessary, OGC.

603 Involuntary Liquidation by a Junior Lienholder

A Junior Lienholder Initiates Liquidation

The authorized agency official will write a letter informing the lienholder that FSA holds a prior lien. The letter should state that, if the lienholder holds a sale, FSA will announce at the sale that:

- FSA has a prior lien on the property, specifying each item and the lien amount, including principal and interest
- any property sold continues to be subject to FSA's lien and the purchaser will need to contact FSA to determine the conditions for the release of the lien. FSA should be paid within 30 to 60 calendar days.

The authorized agency official must maintain close communication with SED during this process. The authorized agency official must consult with SED on how to proceed after sending the initial letter.

If the junior lienholder does not recognize FSA's lien, the authorized agency official must forward the file to SED so that OGC can initiate legal action against the junior lienholder.

B Bidding on Property

FSA does not bid on property at any sale conducted by a junior lienholder.

C Contacting the Purchaser

If a buyer purchases FSA security property from a junior lienholder, the authorized agency official will contact the purchaser, and inform them of FSA's lien on the property and ask about the purchaser's intentions for settling the remaining FSA debt applicable to the security items.

If the authorized agency official cannot reach an acceptable resolution with the purchaser, the authorized agency official refers the case to SED for guidance and, normally, liquidation.

*--D Acquisition of Title

Any third party that wants to obtain title during the junior lienholder foreclosure can pay off the FSA debt secured by that property in lieu of FSA exercising its right to foreclose. A junior lienholder may not pay off FSA debt unless they acquire title to the property. FSA will not assign its lien position.--*

604 Redemption Rights**A Authority to Redeem Property**

When State law provides FSA with redemption rights after a liquidation sale, SED will make the final determination on whether FSA will exercise its redemption rights, based on the best financial interest of the Government.

B Preparing the Case File

The authorized agency official will update the case file to forward to SED when the estimated recovery value of the liquidated property is substantially greater than the amount of the claim, prior liens, and sale expenses. The authorized agency official will prepare the case file to include all necessary information for SED to make a determination. The case file must include:

- a current appraisal of the property
- *--the automated worksheet in Exhibit 60 as justification for the redemption--*
- lien search or title opinion
- documentation explaining why acquiring the property is in FSA's best interest
- all other relevant value and cost factors, including the value of the property after the sale and costs that FSA is likely to encounter in acquiring and reselling the property
- a recommendation from the authorized agency official regarding redemption.

C Timing of Decision

SED must make a decision far enough in advance to allow FSA to exercise its rights and redeem the property. If SED decides not to redeem the property, FSA will allow its redemption rights to expire.

D Selling Redemption Rights

If allowed under State Law, SED may, after consulting with OGC, sell redemption rights. SED should issue a State Supplement on this issue.

604 Redemption Rights (Continued)

E Final Actions Taken on the Account

The borrower's account will be charged for all recoverable costs according to Part 16.

FSA will apply the proceeds from the repossession sale to the borrower's account less prior liens and all authorized liquidation costs according to Part 16.

For any outstanding balance remaining after foreclosure for which the borrower is still liable, if FSA has not and/or will not pursue a deficiency judgment according to subparagraphs 421 G and 533 F, the unsecured account balance will be serviced through offset and referral to Treasury as set forth in 7-FLP.

* * *

In judicial foreclosure States only, unless the borrower voluntarily liquidated with a release of liability or debt settlement, SED completes FSA-2576 and completes a 3B transaction in ADPS to record a judgment account, if applicable.

605-700 (Reserved)

Part 19 Management of Inventory Real Property

721 Preparing the Inventory Property File

A Documenting the Borrower's File and Creating the Inventory Property File

When FSA acquires real property, the authorized agency official will determine, according to 32-AS, if the direct loan borrower's file should be closed. If the file is eligible to be closed, the file will be labeled, maintained, and disposed of according to 32-AS, and applicable notices. Once FSA acquires title to the property as evidenced by a recorded deed, the *--authorized agency official creates an inventory property file. See FSA-2586 for--* supplemental information about the inventory property file.

722 Securing and Repairing Inventory Real Property

A General Policy

When FSA acquires inventory real property, the authorized agency official secures the property, takes steps to prevent public trespassing, and attempts to preserve the value of the property.

B Determining Necessary Services

When FSA acquires property, the authorized agency official inspects the property to determine whether services are necessary to secure the property, maintain the property's value, and place the property in marketable condition. FSA makes repairs according to the following conditions.

- FSA may repair essential farm service buildings and facilities to make the property marketable.
- FSA may repair inventory properties to remove health and safety hazards if such repairs are in FSA's best interest.
- FSA may make repairs to properties that are listed on or are eligible for listing on the National Register of Historic Places as necessary to protect the properties' historic integrity. FSA consults with the appropriate State Historic Preservation Officer or Tribal Historic Preservation Officer to determine whether repairs are necessary.
- On inventory real property located in a floodplain or other hazardous area, FSA may take steps as necessary to prevent:
 - loss of life
 - imminent damage to the property
 - disruption of utility service.

722 Securing and Repairing Inventory Real Property (Continued)**C Developing Repair Specifications and Completing Repairs**

The authorized agency official submits repair specifications to the State Contracting Officer along with justification for all repairs deemed necessary. FSA may contract with a vendor to prepare repair specifications for larger or more complex repairs.

D Determining Necessity of Management Services

The authorized agency official, with the assistance of DD and State Office program staff as necessary, selects the methods for managing inventory property.

The appropriate management methods and requirements depend on the number of properties involved, density of their location, market conditions, and other applicable factors.

FSA management tools include, but are not limited to:

- individual management contracts to secure an individual property, cut the grass, winterize a dwelling, or provide a similar service for a specific property
- simple management contracts to provide maintenance and other services for a group of properties
- blanket-purchase arrangement contracts to obtain a variety of services for any or all FSA inventory properties.

E Arranging Management Contracts

FSA may contract for services according to the Federal Acquisition Regulations. The authority to obtain management services is addressed in 1-FLP, paragraph 161 and 1-FLP, *--Exhibit 25. The authorized agency official contacts the State Contracting Officer to--* arrange for management contracts.

F Charging Expenses to the Inventory Account

FSA charges expenses associated with managing inventory property to the inventory account according to 1-FLP, Part 7.

Reports, Forms, Abbreviations, and Delegations 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, 343, 344
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	Notice of Shared Appreciation Payment Agreement Delinquency		67
FSA-2548	2 nd Notice of Shared Appreciation Payment Agreement Delinquency		67
FSA-2550	Report of Problem Case		421, 533
FSA-2551	Request for Non-monetary Default Determination		65, 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		496-499
FSA-2570	Offer to Convey Security		284, 496, 497, 499, 500, 516, 517
FSA-2571	Agreement for Voluntary Liquidation of Personal Property		464, 465, 516, 518, 581
FSA-2572	Agreement of Secured Parties to Sale of Security Property		581
FSA-2574	Confirmation Reorganization Plan Worksheet		404, 405, 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-2586	Acquisition and Inventory Property Checklist		721
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

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

Forms (Continued)

Number	Title	Display Reference	Reference
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
FSA-2732	Debt Settlement Application		82
NRCS-CPA-026 NRCS-CPA-026e	Highly Erodible Land and Wetland Conservation Determination		81, 801
SF-750	Claims Collection Litigation Report (CCLR)		403

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

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
ACL	Accelerated	534, Ex. 11
ADMP	Agency Debt Management Portal	Ex. 58
BAP	Bankruptcy Action Pending	42, 401, Ex. 11
CAP	Court Action Pending	421, Ex. 11
CCLR	Claims Collection Litigation Report	403, Ex. 58
CL	Conservation Loan	41, 131, 145, Ex. 2, 17
CONACT	Consolidated Farm and Rural Development Act	1, 193, 537, Ex. 2
DBSA	Distressed Borrower Set-Aside	Text
DEF	Deferral	248, Ex. 11
eDALRS	electronic Debt and Loan Restructuring System	Text, Ex. 17
FAP	Foreclosure Action Pending	567, Ex. 11
FLB	Farm Loan Branch	Text
FLMAC	Farm Land Market Advisory Committee	Ex. 17
ISA	installment set-aside	46, 48, 131
ITLAP	Indian Tribal Land Acquisition Program	2, 537
LR	limited resource	132, 146
NP	nonprogram loan	Text
NRBRA	Net Recovery Buyout Recapture Agreement	321, 361, 363, 365
NRV	net recovery value	102, 321, 462
PACER	Public Access to Court Electronic Records	403
PLS	primary loan servicing	67, 68, 401, Ex. 11
POC	proof of claim	401, 403
PRB	Program Reports Branch	708
RDBCSO	Rural Development Business Center Service Office	Text, Ex. 11
SA	shared appreciation loan	66, 67, 102, 145, 146, 191, 346

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

Abbreviations Not Listed in 1-CM (Continued)

Approved Abbreviation	Term	Reference
SAA	shared appreciation agreement Note: When reference is made to a signed agreement as a condition of receiving debt write-down.	67, 197, 249, 343, 344, 346, 403, Ex. 2, 4, 25, 26
SAA	subject to approved adjustment Note: When reference is made to the financial “flag”/designation for an account where FSA has approved a borrower’s debt settlement offer as documented on 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	533, Ex. 47
ST	softwood timber loan	41
TOA	type of assistance	131
TPJ	third party judgment	421, Ex. 11
TROR	Treasury’s Report on Receivables	441
YL	youth loan	41, 42, 68, 132

Redelegations of Authority

*--SED may redelegate to FLC authority to approve PLS when a borrower:

- has received PLS at least 2 times in the previous 5 years
- is receiving a second or subsequent consecutive restructure with a deferral
- has run out of loan numbers and has started reusing previous loan numbers.--*

SED may redelegate to FLC, FLS, and/or DD the authority to waive real estate and/or non-essential asset appraisals for current market value buyout when the personal property appraisal shows that personal property security value exceeds the debt, and security has been cross-collateralized.

SED may redelegate to FLC or DD the authority to approve an exception to approve acceleration of an account in bankruptcy under subparagraphs 534 C and 537 A.

Definitions of Terms Used in This Handbook (Continued)

***--Bankruptcy Closed**

Bankruptcy closed usually refers to when the bankruptcy plan has been paid as planned, the security has been fully accounted for or remanded back to the creditor, and proceeds distributed according to the bankruptcy. However, the bankruptcy is not closed until the bankruptcy judge closes the case with an order. Normally, collection activities or attempts to sell or gain possession of security cannot resume until the bankruptcy is closed. States should consult with OGC if bankruptcies are not closed in a timely manner after the discharge of debt.--*

Definitions of Terms Used in This Handbook (Continued)

Certified Mail

Certified mail is a delivery service offered by USPS that allows the sender proof of mailing, as well as proof of delivery.

*--Notes: Certified mail service provides the following:

- mailing receipt as confirmation an item was sent a unique identifier (tracking number) for the mail piece
- requires a signature from the addressee.

Return receipt is an additional feature that provides the sender with proof of delivery (the recipient's signature along with information about the delivery address, if different, and date and time of delivery). Return Receipt service is available electronically or by paper utilizing PS Form 3811.

Return receipt must be purchased at the time of mailing and is required to be used to track all letters and notifications requiring certified mail. Either method (electronic or paper) is acceptable.--*

Chapter 7

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

Chapter 11

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

Chapter 12

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

Chapter 13

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

Definitions of Terms Used in This Handbook (Continued)

Chattel Security

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

Civil Action

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

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

* * *

Closing Agent

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

Coastal Barrier

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

Collateral

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

Compromise

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

State Supplements

The following table lists required State supplements.

Subparagraph	Required State Supplement
104 A	Obtaining PLS Appraisals
196 B	Filing of Conservation Contracts
229 A	State-Certified Mediation Requirements
247 B	Closing Reamortized Loans
302 A	Homestead Protection According to State Laws
343 B	Real Estate Appraisals for Determination of SAA Recapture
345 C	Satisfying Shared Appreciation Agreements (SAA) According to State Laws
346 E	Maintaining Lien Position When Amortizing SAA Recapture
--401 G--	State Policies and Procedures for Bankruptcy
405 C	De-acceleration after payment according to State law
421 C	State Policies and Procedures for Civil and Criminal Actions
443 C	Managing the Liquidation Process
462 B	Title Searches
464 B	Lien Searches
498 A	Convergence of Rights With Real Property
531 A	Loan Acceleration
533 A	Case File Preparation for Acceleration
533 E	Determination of Property Value Prior to Acceleration
534 E	Notification of Prior Lienholders After Acceleration
535 C	Partial Payments After Acceleration
551 A	General Involuntary Liquidation
566 D	Real Property Foreclosures
567 C	Calculating FSA's Bid
568 A	Acquisition of Inventory Property
551 D	Calculating Amount To Be Reported to DOJ
601 A	Third-Party Foreclosures
601 C	Contract Forfeiture
602 A	Prior Lienholder Liquidation
604 D	Redemption Rights

State Supplements (Continued)

Subparagraph	Required State Supplement
705 C	Custodial Property
707 F	Removal of Abandoned Vehicles From Inventory Property
724 A	Taxes on Inventory Real Property
776 D	Advertisement of Inventory Property for Sale
776 F	Contracting With Real Estate Brokers to Sell Inventory Property
778 E	Sale of Inventory Property
Exhibit 17, subparagraph 5 F	<ul style="list-style-type: none"> • Estimated Cost and Average Holding Period • Factors to Use When Adjusting Market Value.
Exhibit 60, Page 1	*--Holding Period of Less Than 165 Days (.45 years; 5.5 months).--* Redemption Period Established Under State Law.

***--Notice of Approval for Set-Aside Programs**

Following is an example of the Notice for Set-Aside Programs letter.

*--

5-FLP, Exhibit 10 (04-29-26)
(Use Agency Letterhead format with local return address.)
NOTICE OF APPROVAL FOR SET-ASIDE PROGRAM
Date
Borrower's Name Address Address City, State, Zip
Dear:
Your request for installment set-aside has been approved by the Farm Service Agency.
<u>Offer</u>
We have determined that the following loans qualify for <input type="checkbox"/> Disaster Set-Aside <input type="checkbox"/> Distressed Borrower Set-Aside:
Loan Number Amount of Set-Aside
Your payment(s) due _____ will be set-aside to the final scheduled installment if you accept this offer within 45 days of receipt of this notification. To accept this offer, please complete and return the attached FSA-2501(s) "Addendum to the Promissory Note or Assumption Agreement for Set-Aside Programs". Please be aware that your account will become ineligible for installment set-aside if it becomes 165 days past due before the FSA-2501(s) is/are signed and returned. Your account will be 165 days past due on _____.
*Please be aware that Farmers.gov and Pay My Loan may reflect incorrect balances for loan(s) with Distressed Borrower Set-Aside. In addition, your annual loan statement may also contain incorrect interest accrual amounts. Please contact your loan service center for exact loan balances.
If you do not accept this offer, you may still pursue your options under Primary Loan Servicing. If you have questions, please contact this office.
Sincerely,
(Name) (Title)
Attachment: FSA-2501(s) New Security Instruments (if required)
* This paragraph will be included for DBSA only.

--*

Instructions for Using eDALR\$ (Continued)

4 eDALR\$ Formulas (Continued)

***--J Debt Write-down and Buyout Limitation**

eDALR\$ attempts to develop a feasible plan with a 10 percent debt service margin. All program loan servicing, excluding write-down, is considered before reducing the debt service margin. eDALR\$ will consider write-down only if all of the following conditions are met.

- The borrowers have not received the lifetime limitation for write-down or writeoff with buyout.
- At least 1 program loan is delinquent.
- The debt service margin is at zero percent.

If a feasible plan is found with write-down, eDALR\$ determines the amount of write-down necessary for the borrower to have a positive cash flow.

- If the amount of the write-down is less than or equal to \$300,000, a feasible plan has been found.
- If the amount of write-down is greater than \$300,000 and the debt service margin--* equals 1.00, or a feasible plan cannot be developed, eDALR\$ determines the amount of writeoff, with buyout at the current market value.
- If the amount of writeoff, with buyout at the current market value, is less than or equal to \$300,000, the borrower is offered buyout.
- If the amount of writeoff, with buyout at the current market value, is greater than \$300,000, the borrower is not eligible for loan servicing or buyout and the borrower is offered debt settlement.

Instructions for Using eDALRS (Continued)

5 Periodic Data

A Administrative Liquidation Costs

The administrative liquidation costs for each loan type are provided in the following table.

Loan Type	Calculation	Cost
OL	*--46.36 X \$30.26 =	\$1,403
FO/SW/CL	46.36 X \$30.26 =	\$1,403
EM/EE	46.36 X \$30.26 =	\$1,403
RH (Used for RHF loans only.)	46.36 X \$30.26 =	\$1,403--*

Note: Costs were calculated using the 2020 Delphi study for the average number of hours *--spent on a liquidation activity by FSA employees, and used the 2025 GS-11/1--* hourly pay rate. The Delphi study is a nationwide survey and forecasting tool that records averages of times and actions on FSA accounts.

B Legal Liquidation Costs

Legal liquidation costs will be determined for real estate and personal property foreclosures, as well as personal property-only foreclosures. These costs estimate liquidation costs for Government attorney time for foreclosure cases in both judicial and nonjudicial foreclosure States and will vary by State. Legal liquidation cost estimates should be determined based on the costs that have been incurred during past liquidations in that State. U.S. Attorney Office costs should only be included in States where judicial foreclosures are required.

C Determining Personal Property Costs

Personal property costs are determined based on the following:

- “Months Held in Inventory” - FSA rarely acquires personal property because it can be sold much more quickly and easily than real estate. Therefore, the average holding period for personal property will be zero, unless the Administrator approves personal property acquisitions and determines that personal property does have a holding period.

Note: If significant acquisitions occur and a personal property holding period becomes necessary, States will contact the National Office for guidance and provide detailed information about the acquisition and planned disposal of the personal property.

- “Sales Commission Rate” - Authorized agency official will conduct a survey of auctioneers to determine the average commission rate for personal property sales in the area.

Instructions for Using eDALRS (Continued)

5 Periodic Data (Continued)

C Determining Personal Property Costs

- “Other Sales Costs” - These are miscellaneous costs typically incurred when selling acquired personal property. County Offices should request State Office guidance in unusual cases.
- “Rate of Change in Value” - This is a yearly percentage decrease or increase in the value of the property. The normal rate of change in value for personal property will be zero as FSA rarely acquires personal property.

D Real Estate Costs

The analysis for liquidation and disposition costs should, as a minimum, address the following items and considerations.

- *--“Months Held in Inventory” - The average holding period will be 5.5 months (165 days; .45 years).--*
- “Sales Commission Rate” - A study will be conducted to determine the typical method for disposition of FSA inventory farms in the state. The findings will be used to determine whether FSA normally disposes of inventory farms without the assistance of brokers or auctioneers. If a County Office is covered by an exclusive listing agreement or contract for auctioneering services, commissions will always be included at the rate specified on the listing agreements or contracts in effect for the County Office.
- *--“Cost Per Advertisement” - Authorized agency official will comply with the requirements in paragraph 781 to obtain a cost of advertising inventory farms.--*
- “Rate of Change in Value” - Yearly percentage decrease or increase in value is the rate of change in value. To provide a fair assessment of projected trends in farm land values, SED will utilize FLMAC.

Note: See subparagraph E for FLMAC composition and purpose.

- “Management Charges” - In situations where state or district-wide contracts for management of inventory farms are in effect, the SED will specify those rates to be used in management cost calculations. Generally, those costs should be specified on an annual per-acre basis or annual income percentage basis. If there are no area-wide contract rates for some or all counties, State Office guidance should be given on how to calculate rates based upon local costs. Such guidance should include customary management activities and their frequency to promote a consistent approach.

Instructions for Using eDALRS (Continued)

5 Periodic Data (Continued)

E FLMAC

FLMAC will consist of the following members or representatives:

- FSA, SED
- NRCS, State Conservationist
- Extension Specialist from a land grant university, if available, or the National Institute for Food and Agriculture employee with knowledge of the farm real estate market.

--FLMAC will meet annually by September 30, and will consider the following information:--

- The actual change in farm land values in the state during the previous year, as indicated in the most recent “Agricultural Land Values and Market Situation Outlook Report” issued by the USDA Economic Research Service.
- Current conditions in the state and national agricultural economics.
- Availability and cost of credit to purchase farm land.
- The amount of repossessed farm land held by FSA, the Farm Credit System, and other private sector lenders.
- Any special conditions which would affect farm land values in the state.
- Any studies or research conducted by the state agricultural university or similar scholarly source.

If the state has agricultural regions with discernable differences, FLMAC should, if possible, determine anticipated value changes on a regional basis. FLMAC’s meetings and decisions, including the basis for those decisions, will be documented, retained in the State Office as part of the State supplement file and provided to interested parties upon request. Prior to providing the FLMAC determinations to FSA field offices, SED will contact SED’s in surrounding states to determine if FLMAC’s findings are fairly consistent with those of surrounding states. If there are significant differences, SED may reconvene FLMAC to reconsider its findings.

Instructions for Using eDALR\$ (Continued)

5 Periodic Data (Continued)

F State Supplement

SED's will issue a state supplement to:

- address the estimated costs and average holding period to be used in making calculations of net recovery value
- provide the factors to use in adjusting market value
- publish the administrative liquidation costs listed in Exhibit 17, subparagraph 5 A
- publish the property management costs listed in Exhibit 17, subparagraph 5 G
- establish the effective date of the net recovery constants as January 1st of the following year

Example: Constants entered 12-01-2023, effective date is 01-01-2024.

Note: The State supplement shall be issued after completing the cost analysis and no later than December 31st of each year.

- *--the net recovery constants will be entered in eDALR\$ no later than December 31 of each year.--*

Instructions for Using eDALRS (Continued)

5 Periodic Data (Continued)

G Determining Property Management Costs

Property Management Cost is the administrative cost of managing a property while the property is being held in FSA inventory. The cost will be deducted in cases involving real *--property. The following table provides the rate to be used in calculating the property management costs. The national average holding period is 5.5 months.--*

Determining Property Management Costs

*--

Delphi Data for Inventory Actions	X	2025 GS 11/1 Hourly Pay	=	Administrative Costs for 2026
23.3	X	\$30.26	=	\$705

--*

* * *

--Example of Automated Calculation of Shared Appreciation Recapture--

Go to <https://intranet.fsa.usda.gov/dam/ffasforms/currentforms.asp>, in the "Form Number" block type "5-FLP Exhibit 26," and CLICK "Submit".

5-FLP, Exhibit 26
(09-25-24)

Calculation of Shared Appreciation Recapture

Complete steps 1 through 4 for each SAA. Steps 5 through 7 will also be completed when more than one SAA exists and appreciation, as calculated in step 4 for each agreement, shows appreciation due from more than 1 agreement. Funds collected by FSA should be paid first to the shared appreciation account and the balance to the FSA loans in the order of lien priority.

Step 1. Determine the time period the shared appreciation has been active, the amount of debt written down, and the maximum appreciation still collectible.

_____	\$ _____	\$ _____
(A) Period of SAA (mm/dd/yy to mm/dd/yy)	(B) Amount of Debt Written down	(C) Maximum Appreciation still collectible prior to this calculation - [(B) minus previous appreciation calculated for this agreement.]

Step 2. Determine value appreciation.

\$ _____	-	\$ _____	=	\$ _____
(D) CMV of real estate parcel at time of sale minus capital improvements calculated as per 5-FLP, Paragraph 343. For other cases, at time of expiration/termination.		(E) CMV at time of write-down for a partial sale, or CMV of all remaining parcels at time of write-down. If a previous SAA has expired, and has the same security, enter CMV of parcels at end of previous SAA period.		(F) Value Appreciation at time of sale of parcel for partial sale, or at expiration/termination for all other cases.

If (F) is positive, proceed to step 3. If (F) is negative, no appreciation is due on this agreement.

Step 3. Determine Shared Appreciation based on percent. (Less than 4 yrs. = 75%, 4 years or more = 50%)

\$ _____	X	_____	=	\$ _____
(F) Value Appreciation calculated from step 2.		(G) Percent of FSA share in appreciation.		(H) Shared Appreciation

Step 4. Determine the amount of shared appreciation due FSA. This is the lesser of the amount calculated in step 3 or the amount of debt written down minus any shared appreciation previously due.

Lesser of: \$ _____	or	\$ _____	=	\$ _____
(H) Amount calculated in step 3		(C) Appreciation Collectible from step 1		(I) Amount of Shared Appreciation Due FSA

--Example of Automated Calculation of Shared Appreciation Recapture (Continued)--

5-FLP, Exhibit 26
(09-25-24)

Complete steps 5 through 7 when more than one SAA exists and appreciation is due from more than 1 agreement at the same time. Complete only after completing steps 1 through 4 as applicable for each agreement.

Step 5. Determine the greater of the amounts calculated in step 4 for each agreement to determine the total shared appreciation due FSA.

Greater of: \$ _____ or \$ _____ = \$ _____
 (I) Amount calculated (I) Amount calculated (J) Total Shared
 in step 4 for in step 4 for Appreciation
 Agreement 1 Agreement 2 due FSA

Step 6. Complete this step if the agreements do not have the same percent of appreciation (50 or 75 percent) and the agreement with the 50 percent appreciation is greater than the agreement with the 75 percent appreciation.

This step determines the 25 percent difference to collect from the agreement from which 75 percent appreciation is due.

\$ _____ X $\frac{.25}{}$ = \$ _____ + \$ _____ = \$ _____
 (F) Total appreciation (K) Shared (J) Shared (L) Total Shared
 in value calculated Difference Appreciation Appreciation Appreciation
 in step 2 (Agreement due on each due on 75% due on 50% due FSA
 which 75% is due). agreement agreement agreement

Step 7. Determine the amount of shared appreciation due on each agreement (distribution of shared appreciation between the two agreements).

\$ _____ - \$ _____ = \$ _____
 (J) or (L) Total (I) Shared Appreciation (M) Net Amount due on
 Shared Appreciation due on Agreement #1 Shared Appreciation
 Due as determined as calculated Agreement #2
 in step 5 or 6 in step 4
 as applicable.

--Example of Automated Calculation of Shared Appreciation Recapture (Continued)--

5-FLP, Exhibit 26
(09-25-24)

Example 1: Calculation of shared appreciation at the end of the 5-year period. Shared Appreciation Agreement Period February 1, 2001, to February 1, 2006. Write-down amount was \$100,000.00.

A. Market value at the end of the 5-year period	=	\$75,000
B. Market value at the time of write-down	=	<u>\$50,000</u>
C. Value Appreciation (A - B)	=	\$25,000
D. 50% of positive appreciation	=	<u>X .50</u>
E. Shared Appreciation due FSA	=	\$12,500

Example 2: Calculation of shared appreciation due when a portion of the property is sold, such as timber or land, in the 1st 4 years of the agreement. Shared Appreciation period February 1, 1996, to February 1, 1999. Write-down amount was \$25,000.00.

A. Market value of the property being sold at the time of sale	=	\$100,000
B. Market value of property being sold as of the effective date of the share appreciation agreement	=	<u>90,000</u>
C. Value Appreciation (A - B)	=	\$ 10,000
D. 75% of positive appreciation	=	<u>X .75</u>
E. Shared Appreciation due FSA	=	\$ 7,500
F. Maximum appreciation FSA can collect during the remaining period of the agreement. (\$25,000 write-down - \$7,500 appreciation)	=	\$ 17,500

Example 3: Calculation of shared appreciation when there are 2 shared appreciation agreements on the same security and each one expires separately.

Date of #1 Shared Appreciation Agreement:	February 1, 2001
Expiration Date:	February 1, 2006
Market Value of real property at time of agreement:	\$100,000
Market Value of real property at end of 5 years:	\$120,000
Amount of write-down:	\$100,000
Date of #2 Shared Appreciation Agreement:	February 1, 2003
Expiration Date:	February 1, 2008
Market Value of real property at time of agreement:	\$110,000
Market Value of real property at end of 5 years:	\$125,000
Amount of write-down:	\$ 50,000

--Example of Automated Calculation of Shared Appreciation Recapture (Continued)--

5-FLP, Exhibit 26
(09-25-24)

Example 3 (Continued)

(A) Shared Appreciation Agreement for #1		
(1) Market value at the end of the 1st 5-year agreement	=	\$120,000
(2) Market value at the time of write-down	=	<u>-100,000</u>
(3) Value Appreciation (1) - (2)	=	20,000
(4) 50% of positive appreciation	=	<u>X .50</u>
(5) Shared Appreciation due FSA on #1	=	\$ 10,000
(B) Shared Appreciation Agreement for #2		
(1) Market value at the end of the 2nd 5-year agreement	=	\$125,000
(2) Market value at the time of write-down or at the end of the first 5-year agreement whichever is greater	=	<u>- 120,000</u>
(3) Value Appreciation (1) - (2)	=	5,000
(4) 50% of positive appreciation	=	<u>X .50</u>
(5) Shared Appreciation due FSA on #2	=	\$ 2,500

Example 4: Calculation of shared appreciation when there are 2 shared appreciation agreements with the same security and the borrower sells all security property 4½ years after the 1st agreement was effective. The 2nd agreement has a greater appreciation due.

Note: If the agreements did not have the same security, each shared appreciation agreement will stand alone.

Market Value of Real Property Sold:	\$150,000
Date of Sale:	August 1, 2005
Date of #1 Shared Appreciation:	February 1, 2001
Market Value of Real Property at Time of Agreement:	\$120,000
Amount of write-down:	\$ 20,000
Date of #2 Shared Appreciation:	February 1, 2003
Market Value of Real Property at Time of Agreement:	\$125,000
Amount of write-down:	\$ 20,000

(A) Shared Appreciation for #1		
(1) Market value of the property being sold	=	\$150,000
(2) Market value of property at time of agreement	=	<u>- 120,000</u>
(3) Amount of Appreciation (1) - (2)	=	\$ 30,000
(4) Appreciation Period (2/1/01 - 8/1/05 = 4 years and 6 months)	=	<u>X .50</u>
(5) Shared Appreciation due FSA on Agreement #1	=	\$ 15,000

--Example of Automated Calculation of Shared Appreciation Recapture (Continued)--

5-FLP, Exhibit 26
(09-25-24)

Example 4 (Continued)

(B) Shared Appreciation for #2

(1) Market value of the property being sold	=	\$150,000
(2) Market value of property at time of agreement	=	<u>- 125,000</u>
(3) Amount of Appreciation (1) - (2)	=	\$ 25,000
(4) Appreciation Period (2/1/03 - 8/1/05 = 1 year and 6 months)	=	<u>X .75</u>
(5) Shared Appreciation due FSA on Agreement #2	=	\$ 18,750

In this example, 2step 6 is not required as Agreement #2 with the 75 percent value had a greater appreciation due than Agreement #1.

(C) Shared Appreciation due FSA (Greater of A5 or B5) = \$ 18,750 (B5)
 Agreement #1 (A5) \$15,000 vs. Agreement #2 (B5) \$18,750

(D) Shared Appreciation due FSA on Agreement #1 = \$ -15,000
 (G) Net Amount due FSA on Agreement #2 (C - D) = \$ 3,750

Note: If B5 - A5 had been a negative number, the shared appreciation due on agreement #2 will equal \$0.

Example 5: Calculation of shared appreciation when there are 2 shared appreciation agreements with the same security and the borrower sells all security property 4½ years after the 1st agreement was effective. In this example, agreement #1 has a greater appreciation value.

Market Value of Real Property Sold:	\$150,000
Date of Sale:	August 1, 2005
Date of #1 Shared Appreciation:	February 1, 2001
Market Value of Real Property at Time of Agreement:	\$ 90,000
Amount of write-down:	\$ 50,000
Date of #2 Shared Appreciation:	February 1, 2003
Market Value of Real Property at Time of Agreement:	\$125,000
Amount of write-down:	\$ 40,000

(A) Shared Appreciation for #1

(1) Market value of the property being sold	=	\$150,000
(2) Market value of property at time of agreement	=	<u>- 90,000</u>
(3) Amount of Appreciation (1) - (2)	=	\$ 60,000
(4) Appreciation Period (2/1/01 - 8/1/05 = 4 years and 6 months)	=	<u>X .50</u>
(5) Shared Appreciation due FSA on Agreement #1	=	\$ 30,000

--Example of Automated Calculation of Shared Appreciation Recapture (Continued)--

5-FLP, Exhibit 26
(09-25-24)

(B) Shared Appreciation for #2

(1) Market value of the property being sold	=	\$150,000
(2) Market value of property at time of agreement	=	<u>- 125,000</u>
(3) Amount of Appreciation (1) - (2)	=	\$ 25,000
(4) Appreciation Period (2/1/03 - 8/1/05 = 1 year and 6 months)	=	<u>X .75</u>
(5) Shared Appreciation due FSA on Agreement #2	=	\$ 18,750

In this case, Agreement #1 has a greater appreciation, therefore step 6 must be completed to determine the additional 25 percent to collect towards Agreement #2.

(C) Total Shared Appreciation Due:

(1) Value of Appreciation from Agreement #2 (B3)	=	\$ 25,000
(2) 25% Difference in percentages due	=	<u>X.25</u>
(3) Amount of Shared Appreciation due on Agreement #2	=	6,250
(4) Shared Appreciation due on Agreement #1 (A5)	=	<u>\$+30,000</u>
(5) Total Shared Appreciation due FSA	=	\$ 36,250

***--Example of Automated Worksheet for Accepting a Voluntary Conveyance of Farm Loan Programs Security Property Into Inventory**

The automated worksheet is available in a fillable format. Go to <https://intranet.fsa.usda.gov/dam/ffasforms/currentforms.asp>, in the "Form Number" block type "5-FLP Exhibit 37," and CLICK "Submit".

Note: STO will send Exhibit 37 to LSPMD at fsa-directloans@usda.gov for review before approving the transaction.

04-29-26	5-FLP, Exhibit 37
WORKSHEET FOR ACCEPTING A VOLUNTARY CONVEYANCE OF FARM LOAN PROGRAMS SECURITY PROPERTY INTO INVENTORY	

(Present Owner/Borrower)	
<ol style="list-style-type: none"> 1. Estimate incomes and expenses using Exhibit 17, paragraph 5 and state supplement. 2. Determine holding period: <ul style="list-style-type: none"> - Standard: 165 days (5.5 months or .45 years) or less if justified by State average. - Longer: Redemption period + 5.5 months (or less). - For special cases (deed restrictions, legal issues), request an Administrator's Exception. 3. Obtain state signatures on Exhibit 37. 4. Submit Exhibit 37 and required items* to LSPMD at fsa-directloans@usda.gov for clearance. NOTE that annual figures should be divided by 12 or otherwise adjusted as appropriate for monthly calculations. 	
1. MARKET VALUE OF PROPERTY \$ _____	
a. Date of Appraisal _____	
ESTIMATED HOLDING PERIOD (MONTHS) <u>5.5</u>	
Statutory Holding Period <u>5.5</u> months + State Holding Period _____ months	
2. MONTHLY INCOME	
a. Annual Rent	_____ X Holding Period (months) <u>5.5</u> = _____
b. Annual Royalties	_____ X Holding Period (months) <u>5.5</u> = _____
c. Other Annual Income	_____ X Holding Period (months) <u>5.5</u> = _____
d. Annual % Land Appreciation (if applicable)	_____ X Holding Period (months) <u>5.5</u> = _____
Monthly Appreciation	\$ _____ X Holding Period (months) <u>5.5</u> = _____
e. Value gained due to restrictions that are placed on the farm such as Conservation Easements, Conservation Reserve Program (CRP), etc.	= _____
f. Other (describe below)	_____ X Holding Period (months) <u>5.5</u> = _____
TOTAL ADDITIONS (Items 2a thru 2f) = \$ _____	
Notes:	
3. EXPENSES	
a. Total Prior Lien holder Indebtedness (P and I) = _____	
Lienholder Name	Amount
_____	_____
_____	_____
_____	_____

--*

***--Example of Automated Worksheet for Accepting a Voluntary Conveyance of Farm Loan Into Inventory (Continued)**

					5-FLP, Exhibit 37
b. Other Acquisition Costs (taxes presently owed, closing costs, survey costs, administrative costs, junior liens, etc.) List:					= _____
Description				Amount	
advertising				_____	
closing				_____	
_____				_____	
_____				_____	
_____				_____	
_____				_____	
_____				_____	
_____				_____	
c. Annual Taxes & Assessment	_____	x	Holding Period (months)	5.5	= _____
d. Annual Building Depreciation	_____	x	Holding Period (months)	5.5	= _____
e. Inventory Property Management Costs	_____				= _____
Total Essential Repairs to Secure & Resel	_____				= _____
g. Annual % Decrease in Land Value (if applicable)	\$ _____ -	x	Holding Period (months)	5.5	= _____
h. Total Anticipated Resale Expenses (Commissions, Advertising, etc.)					= _____
Description				Amount	
_____				_____	
_____				_____	
_____				_____	
_____				_____	
_____				_____	
_____				_____	
_____				_____	
i. Total Interest Cost					
_____	x	_____	x	Holding Period (months)	5.5
Market Value		Regular OL Rate			= _____
j. Value loss due to restrictions that are placed on the farm such as Conservation Easements, Conservation Reserve Program (CRP), etc.					= _____
k. Hazardous Waste Clean-up Costs					= _____
Description				Amount	
_____				_____	
_____				_____	
_____				_____	
_____				_____	
_____				_____	
I. Total Deductions (Items 3a through 3k)					= _____

***--Example of Automated Worksheet for Accepting a Voluntary Conveyance of Farm Loan Into Inventory (Continued)**

5-FLP, Exhibit 37

Notes:

4. CALCULATION OF FSA'S NRV

a.

$$\begin{array}{rccccccc} \text{_____} & + & \text{_____} & - & \text{_____} & = & \text{_____} \\ 1. \text{ Market Value} & & 2. \text{ Total Additions} & & 3. \text{ Total Deductions} & & \text{Net Recovery} \\ & & & & & & \text{Value (NRV)*} \end{array}$$

Notes:

*If NRV is ZERO or NEGATIVE: DO NOT ACCEPT Property into inventory. See paragraph 4 for Administrator exception requirements if FSA has minimal recovery.

***--Example of Automated Worksheet for Accepting a Voluntary Conveyance of Farm Loan Into Inventory (Continued)**

5-FLP, Exhibit 37

Required Documentation:	Comments
1. Copy of appraisal	<input type="checkbox"/>
2. Verification of all acquisition costs	<input type="checkbox"/>
3. Verification of prior liens	<input type="checkbox"/>
4. Verification of FSA secured debt	<input type="checkbox"/>

SIGNATURE(S):

FARM LOAN CHIEF:

STATE EXECUTIVE DIRECTOR:

X _____

X _____

Date

Date

Any Additional Notes or Comments:

LSPMD CONCURRENCE OFFICIAL:

X _____

--*

Statute of Limitations (SOL) for Requesting Deficiency Judgements

Note: There is a six-year SOL for obtaining a deficiency judgement.

A Acceleration

When loans are accelerated, the SOL begins to run from the date of the acceleration

B Delinquent

When a loan has not been accelerated in the loan servicing process or there is no remaining security, SOL generally begins to run on each installment as it becomes past due. SOL begins to run when the installment is delinquent or past due, such as the day after the due date.

C Loan Maturity

In some cases, the beginning date for the SOL is the date the final payment was due on the loan.

D Last Acknowledgment

SOL also runs from the date the borrower acknowledges the debt, such as when the borrower submits a debt settlement application or sign a FBP acknowledging the debt.

E OGC Guidance

States shall consult with their Regional Attorney in cases where the beginning date for SOL cannot be determined.

***--Example of Automated Worksheet for Determining Farm Loan Programs Maximum Bid on Real Estate Property**

Note: The automated worksheet is available in a fillable format at <https://intranet.fsa.usda.gov/dam/ffasforms/currentforms.asp>, in the “Forms Number” block type “5-FLP Exhibit 60” and CLICK “Submit”.

04-29-26	5-FLP Exhibit 60 (Par. 567, 602,604)
WORKSHEET FOR DETERMINING FARM LOAN PROGRAMS MAXIMUM BID ON REAL ESTATE PROPERTY (04-29-26)	
_____ (Present Owner/Borrower)	
<ol style="list-style-type: none"> 1. Estimate incomes and expenses using Exhibit 17, paragraph 5 and state supplement. 2. Determine holding period: <ul style="list-style-type: none"> - Standard: 165 days (5.5 months or .45 years) or less if justified by State average. - Longer: Redemption period + 5.5 months (or less). - For special cases (deed restrictions, legal issues), request an Administrator's Exception. 3. Obtain state signatures on Exhibit 60. 4. Submit Exhibit 60 and required items* to LSPMD at fsa-directloans@usda.gov for clearance. 5. Once cleared, STO will upload the fully-executed Exhibit 60 using the PLCE Fund Request Tool. Where possible, submit at least 3 weeks before foreclosure sale to ensure funds availability. 	
1. APPRAISED MARKET VALUE OF PROPERTY \$ _____	
Date of Appraisal _____	
1A. 10% REDUCTION IN APPRAISED MARKET VALUE BECAUSE OF FORECLOSURE \$ _____	
ESTIMATED HOLDING PERIOD (MONTHS) <u>5.5</u>	
Statutory Holding Period <u>5.5</u> months + State Holding Period _____ months	
2. INCOME	
a. Annual Rent _____	x Holding Period (months) <u>5.5</u> = _____
b. Annual Royalties _____	x Holding Period (months) <u>5.5</u> = _____
c. Other Annual Income _____	x Holding Period (months) <u>5.5</u> = _____
d. Annual % Land Appreciation (if applicable) _____	x Holding Period (months) <u>5.5</u> = _____
	\$ _____ - x Holding Period (months) <u>5.5</u> = _____
e. Value gained due to restrictions that are placed on the farm such as Conservation Easements, Conservation Reserve Program (CRP), etc.	= _____
f. Other (describe below) _____	x Holding Period (months) <u>5.5</u> = _____
TOTAL ADDITIONS (Items 2a thru 2f) = \$ _____	
Notes:	
3. EXPENSES	
a. Total Prior Lien holder Indebtedness (P and I)* _____	= _____
Lienholder Name _____	Amount _____
_____	_____
_____	_____

--*

***--Example of Automated Worksheet for Determining Farm Loan Programs Maximum Bid on Real Estate Property**

		5-FLP Exhibit 60 (Par. 567, 602,604)
_____	_____	
_____	_____	
I. Total Deductions (Items 3a through 3k)		= _____
Notes:		

***--Example of Automated Worksheet for Determining Farm Loan Programs Maximum Bid on Real Estate Property**

5-FLP Exhibit 60
(Par. 567, 602,604)

Required Documentation:	Comments
1. Copy of appraisal	<input type="checkbox"/>
2. Verification of all acquisition costs	<input type="checkbox"/>
3. Verification of prior liens	<input type="checkbox"/>
4. Verification of FSA secured debt	<input type="checkbox"/>

SIGNATURE(S):
FARM LOAN CHIEF:

STATE EXECUTIVE DIRECTOR:

X _____

X _____

Date

Date

Any Additional Notes or Comments:

LSPMD CONCURRENCE OFFICIAL:

X _____

Date

