

Liquidation Plan Checklist

If it is decided liquidation of a guaranteed loan is necessary, the lender needs to address all applicable items located below, within 30 days from the date of the decision to liquidate.

1. Proposed method of liquidation and action the lender will take to insure the maximum collection possible is obtained. This may include filing a deficiency judgment or other action if a loss is anticipated.
2. Steps, if necessary, that may need to be taken to protect and preserve any of the collateral.
3. A statement or summary reflecting the following:
 - a. A breakdown of current principal and interest owing on each guaranteed note.
 - b. A breakdown of current principal and interest owing on any other note secured by the same security as the guaranteed note(s).
 - c. A breakdown of the remaining security, including a valuation which is based either on a current appraisal or if an appraisal is not available, then an estimate of value.
 - d. A statement summarizing the lien priority for all debts.
 - e. An estimate of liquidation costs.
 - f. An estimate of any protective advances.
 - g. Based on the above items, a calculation of “net recovery” to the lender.
4. Copy of the most recent borrower’s and any co-signer’s current financial statement.
5. If the guaranteed portion of the loan has been sold on the secondary market, indicate when the lender will be repurchasing the loan from the holder.
6. If the value of the security will not satisfy the guaranteed loans, list any action to be taken by the bank against the debtors and any co-signer.
7. A detail schedule to periodically report to FSA on the progress of liquidation.

NOTES:

If “net recovery” in item 3 is a negative figure on any guaranteed loan, then an estimated loss claim needs to be provided to FSA, if it is anticipated that liquidation will exceed 90-days.

If the borrower will be voluntarily conveying secured property to the lender then FSA concurrence should be obtained on the amount to be credited to the borrower’s loan account.

If security is to be disposed of by private treaty or other method where it could not be considered a well informed public sale, then the selling amount must be determined and prior concurrence from FSA is recommended. Current appraisals need to be obtained to determine the bid amount.