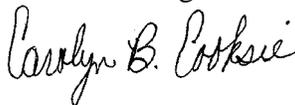


For: FSA Offices

**Providing FLP Borrowers With Servicing Assistance
Under the Service Members Civil Relief Act (the Act)**

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

The President has authorized the call to active military duty of thousands of National Guard, Reservists, and other military personnel. FSA is committed to providing compassionate service above and beyond the normal scope of daily servicing to assist FLP customers covered by the Act, 50 USC app. 501 et seq. In brief, the Act provides for the reduction in the interest rate to 6 percent on loans and a stay on liquidation action to persons called to active duty. Direct and guaranteed borrowers that are covered by the Act may be entitled to relief under the Act or to other FSA assistance. Protections apply from the date of entry into the military for full-time members of the Army, Navy, Air Force, Marine Corps, Coast Guard, officers of the Public Health Service (when detailed by proper authority for duty with the Army or Navy), and those persons who are on active duty with the Reserve or the National Guard. The stay provisions of the Act generally remain in effect until 3 months after the serviceperson's date of discharge from active service or death while in active service.

B Purpose

This notice:

- requires that FmHA Instruction 1950-C be followed when servicing the accounts of borrowers entering the armed forces, except as provided in this notice
- provides benefits in addition to those discussed in FmHA Instruction 1950-C
- informs FLP personnel of the guaranteed lender's responsibilities for guaranteed borrowers covered by the Act.

Disposal Date	Distribution
June 1, 2005	State Offices; State Offices relay to County Offices

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1 Overview (Continued)

C Contact

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact LSPMD at 202-720-4572.

2 Servicing Loans to Direct Borrowers Entering Active Duty in the Armed Forces

A Direct Loans: FmHA Instruction 1950-C

FSA will adhere to the guidance provided in FmHA Instruction 1950-C, except as provided in this notice, when servicing the accounts of borrowers entering the armed forces or called to active duty. This instruction prescribes the authorities and policies for servicing such cases in addition to those contained in other FSA handbooks or instructions.

Notwithstanding any provision of this instruction, these benefits begin when a borrower is called to report for induction or military service.

Note: While section 1950.102 of this instruction provides that FSA will not renew, postpone, or modify annual installments solely because of the borrower's entry into the armed services, such loan servicing certainly may be available according to FmHA Instruction 1951-S procedures as discussed in subparagraph F of this notice.

B Interest Rate Selection

The interest rate on existing FLP loans may not exceed 6 percent beginning when a borrower is called to report for induction or military service and continuing during the borrowers' active service.

C Acceleration or Foreclosure

FSA generally cannot foreclose on the property of a borrower in the armed forces during the borrower's tenure of service and for 3 months thereafter. No FLP account of a borrower on active duty will be accelerated or foreclosed.

Note: If the account has been referred to DOJ, notify DOJ that the borrower is entitled to relief under the Act.

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2 **Servicing Loans to Direct Borrowers Entering Active Duty in the Armed Forces (Continued)**

D Treasury and Internal Administrative Offsets

Treasury and internal administrative offsets taken by the Agency under 7 C.F.R. 762.149 (m) will be discontinued once a borrower is called to report for induction or military service, and any payments received as a result of offset after the date the borrower was called to active duty will be refunded. Treasury offsets shall be suspended by the State Offices by deleting affected loans each quarter on the “Borrowers Eligible for TOP Offset Certified” screens or the “Borrowers Eligible for TOP Offset” screens. Co-borrowers associated with this debt must also be deleted in an effort to reduce hardship and assist impacted borrowers. This suspension begins when the borrower is called to report for induction or military service and continues during the period of active duty and 3 months thereafter.

E Treasury Cross Servicing

Accounts of borrowers called to active military duty similarly shall not be referred for cross servicing. If the borrower’s account has been referred to Treasury for cross servicing, State Offices must initiate a recall by faxing FSA-1956-22 and a memo stating the debt must be recalled because of provisions of the Act to LOD, PRB at 314-539-6266.

F Servicing Under FmHA Instruction 1951-S

Borrowers will continue to be notified according to FmHA Instruction 1951-S, section 1951.907. FSA will promptly provide loan servicing application forms and all assistance necessary in completing and processing those forms. Third parties with appropriate powers of attorney may request servicing on behalf of the borrower in military service. SED’s will make full use of the exception authority granted in FmHA Instruction 1951-S, section 1951.916(b) when additional time is needed by the borrower for submission of a complete application.

3 **Servicing Loans to Guaranteed Borrowers Entering Active Duty in the Armed Forces**

A Guaranteed Loans

Provisions of the Act also affect Guaranteed Lenders with borrowers called to active military duty. This may include interest rate reduction and a stay on liquidation action. Guaranteed lenders will ensure that the benefits of the Act are promptly and properly extended to covered guaranteed borrowers and understand the effects of the Act concerning their lending institution’s rights and remedies. Guaranteed Lenders are advised that servicing actions taken in accordance with the Act will not jeopardize their rights under the loan guarantee.

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3 **Servicing Loans to Guaranteed Borrowers Entering Active Duty in the Armed Forces (Continued)**

B Interest Rate Selection

An FSA guaranteed loan incurred by a guaranteed borrower covered by the Act, shall **not** bear an interest rate in excess of 6 percent when the borrower is called to report for induction or military service and during the period of active military service.

C Acceleration or Foreclosure

The guaranteed lender generally cannot foreclose on the property of a borrower in the armed forces during the borrower's tenure of service and for 3 months thereafter. No FLP account of a guaranteed borrower on active duty will be accelerated or foreclosed except as allowed by the Act (see section 303).

D Treasury and Internal Administrative Offsets

Treasury and internal administrative offsets taken by the Agency under 7 C.F.R. 762.149 (m) will be discontinued once a guaranteed borrower is called to report for induction or military service, and any payments received as a result of offset after the date the borrower was called to active duty will be refunded. Treasury offsets shall be suspended by the State Offices by deleting affected loans each quarter on the "Borrowers Eligible for TOP Offset Certified" screens or the "Borrowers Eligible for TOP Offset" screens. Co-borrowers associated with this debt will also be deleted in an effort to reduce hardship and assist impacted borrowers. This suspension begins when the borrower is called to report for induction or military service and continues during the period of active duty and 3 months thereafter.