

For: State and County Offices

Farm Storage Facility Loan (FSFL) Installment Principal Balances

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

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Background

FSFL reports received by PSD indicate that small balances of unpaid installment principal exist on about 350 loans after annual installments of principal and interest have been paid by borrowers. The balances range from \$.01 to \$222, depending upon the original loan amount. According to 1-FSFL, paragraph 150, installments not paid in full by the date due, are considered to be delinquent and further collection action by County Offices is required.

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Purpose

This notice provides guidance to County Offices for:

- collection action when small principal balances exist
- disposition of installment reminder and notification letters that are printed as a result of small balances.

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Contact

State Offices shall direct questions about this notice to Chris Kyer by:

- telephone at 202-720-7935
- e-mail at chris_kyer@wdc.usda.gov.

Disposal Date	Distribution
May 1, 2003	State Offices; State Offices relay to County Offices

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2 Small FSFL Principal Balances

A

Why Small Balances Exist

Small installment principal balances result when:

- installments are paid on the due date and the borrower paid the installment amount based on amortization schedule software that was calculating interest on 364 days; however, when the installment repayment is processed in APSS, the FSFL repayment software calculates interest on 365 days

Note: This error has been corrected. The amortization schedule that prints when loans are disbursed is now correct.

- installments are not paid on the due date and the County Office processes the repayment using the receipt date as the date of repayment; therefore, additional interest is collected to the date of receipt.
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B

How to Detect Existing Small Principal Balances

For loans where installments have been paid, County Offices shall:

- review the FSFL repayment receipt printed when the last repayment was applied, according to 1-FSFL, subparagraph 361 G
 - identify loans with small installment principal balances that require further collection action.
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2 Small FSFL Principal Balances (Continued)

C

Collection Actions

For loan installments that are not fully satisfied and small installment principal balances exist, County Offices shall:

- pursue collection of the installment principal balance with demand letters, according to 1-FSFL, subparagraph 150 D, except use the demand letter in Exhibit 1
- process repayments of only the installment principal balance due according to 1-FSFL, subparagraph 361 D, using the interest paid through date from the last FSFL repayment receipt as the repayment date.

Exception: To minimize collection costs, for small installment principal balances of \$25 and less, County Offices shall:

- not pursue collection at this time
 - collect the installment principal balance:
 - with the next installment payment
 - if the borrower voluntarily pays the balance.
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D

Avoiding the Creation of Small Principal Balances

To avoid creating small installment principal balances when collecting installments, **except** for the final installment payment, County Offices shall enter a date in the FSFL repayment software, according to 1-FSFL, paragraph 361, that is equal to the due date, if the installment is paid on or after the due date.

Example: The first installment due date was April 12, 2002. A check for the first installment amount was received on April 14, 2002. The due date may be entered as the repayment date, according to 1-FSFL, subparagraph 361 E.

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3 Reminder and Notification Letters

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Applicability

According to 1-FSFL, subparagraph 150 C, reminder and notification letters generate:

- during start of day processing for loans with installments due approximately 45 days before the installment due date
 - when all or part of an installment is due.
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County Office Action

For loans with small principal balances that require collection action by issuing demand letters, according to subparagraph 2 C of this notice. County Offices shall:

- not mail the reminder and notification letters
 - attach the reminder and notification letters to a copy of the demand letter and retain in the loan folder.
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C

Reminder and Notification Letters with Zero Amount Due

In some cases, for loans with small installment principal balances, reminder and notification letters are generating with a zero amount in the block for installment amount due. PSD is researching this problem. However, it is possible there is a small principal amount due. Therefore, County Offices shall take action according to subparagraphs 2B and 2C.

Demand Letter for Installment Principal Balances

(Letter Date)

(Borrower Name)

(Borrower Address line 1)

(Borrower Address line 2)

Dear (Borrower Name),

Please be advised that according to the regulations at 7 CFR Part 1436.13 and the terms of CCC-186 Promissory Note and Security Agreement, your Farm Storage Facility Loan is considered delinquent because, although a partial installment payment was made, an installment principal balance exists.

Please send your check payable to the Commodity Credit Corporation immediately for amount due (shown below). Send your payment to the following address: (insert office street address), (insert city, State and zip code).

Loan Number	Date of Note and Security Agreement	Unpaid Installment Principal Amount Due
		\$

The amount due has been recorded for offset from any FSA or CCC payment due you. Additionally, CCC may declare the entire indebtedness immediately due and payable. If your loan is called, foreclosure proceedings may be initiated. Under foreclosure proceedings, the collateral securing the loan may be sold and the proceeds of the sale will be applied to the outstanding amount of the loan.

Feel free to give us a call if you have any questions. If for some reason, you cannot pay the amount due, contact our office immediately to discuss this situation. If you believe that you have been sent this notice in error, that the determination is in error, or that the amount due is incorrect, you have 30 days from the date of this letter to request reconsideration, mediation, or an appeal. (Insert rights for reconsideration, mediation, and appeal according to 1-APP.)

You may also contact the County Office to receive a copy of the documents related to this determination.

County Executive Director
For the (County Name) FSA County Committee