

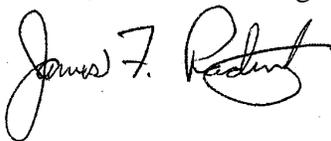
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

**Guaranteed Loan Making and Servicing
2-FLP (Revision 1)**

Amendment 33

Approved by: Acting Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 46 E has been amended to include the requirement for lenders who are corporations to execute AD-3030.

Paragraph 72 has been amended to correct a CFR reference in the title.

Subparagraph 135 C has been amended to correct the following:

- GLS Add Loan Closing Screen title
- link for the 3-month LIBOR rates.

Subparagraphs 245 C and 247 A and B have been amended to include guidance for obtaining AD-3030 from lenders who are corporations.

Subparagraph 341 A has been amended to emphasize that bankruptcy information is to be provided with the lender's FSA-2248.

Subparagraph 342 B has been amended to clarify calculation of interest accrual and payment of interest in bankruptcy reorganizations.

Subparagraph 342 D has been amended to include a paragraph reference.

Subparagraph 344 A has been amended to:

- add that bankruptcy proceedings are to be reviewed with the default status report
- reference the appraisal or evaluation requirements of paragraphs 181 and 182.

Subparagraph 344 B has been added to address post bankruptcy plan completion actions.

Subparagraph 359 A has been amended to clarify calculation of interest accrual and payment of interest on estimated loss claims.

Subparagraph 359 G has been amended to remove language that is now in subparagraph 359 A.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 360 F has been amended to clarify calculation of interest accrual and payment of interest on final loss claims.

Subparagraph 363 K has been amended to provide additional debt settlement instructions.

Subparagraph 363 L has been amended to provide additional bankruptcy discharge processing guidance.

Subparagraph 374 C has been amended to provide guidance in working with secondary market participants using digital signatures.

Exhibit 13 has been amended to update the contents and add the Extension of Interagency Agreement.

Exhibit 15.5 has been added to provide examples of interest accrual calculations for all types of loss claims.

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TC	Text	Exhibit
1, 2	4-1 through 4-4	1, pages 1-4
7, 8	5-25 through 5-28	13, pages 13, 14
	8-60.5, 8-60.6	pages 16.5, 16.6 (add)
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	10-13 through 10-16	15.5, pages 1-4 (add)
	13-3 through 13-10	
	14-13, 14-14	
	14-14.5, 14-14.6 (add)	
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Part 4 Lender Eligibility**46 Eligibility Requirements for SEL (7 CFR 762.105(b))****A Overview**

The basic level of participation in the FSA Guaranteed Farm Loan Program is SEL. SEL must meet the eligibility criteria in this section to submit an application for a guarantee. If the lender does not meet the eligibility criteria to the satisfaction of FSA, the application will be denied.

B Capacity

A lender must have experience in making and servicing agricultural loans and have the capability to make and service the loan for which a guarantee is requested.

In reviewing the SEL request, the authorized agency official shall consider FSA's prior experience with the lender in assessing whether or not they have the capability to make and service the loan. An important factor in reviewing the lender's capacity is their experience in agricultural lending. Experience in agricultural lending must be demonstrated for either the lender or the lender's personnel.

The lenders must not have losses or deficiencies in processing and servicing guaranteed loans above a level which would indicate an inability to properly process and service a guaranteed agricultural loan.

Previous problems with a lender, as evidenced in monitoring reports, excessive loss claims, or denial of loss claims, should be considered in this determination.

C Examination and Supervision

A lender must be subject to credit examination and supervision by an acceptable State or Federal regulatory agency.

Only lenders that are subject to both examination and supervision by an acceptable State or Federal regulatory agency may participate in the FSA Guaranteed Program. Examination will normally include a review of the lender's asset quality, management practices, financial condition, and compliance with applicable laws and regulations. Supervision gives the regulator the authority to require that the lender make changes to ensure safety and soundness.

46 Eligibility Requirements for SEL (7 CFR 762.105(b)) (Continued)

C Examination and Supervision (Continued)

Traditional and nontraditional lenders, that are audited and subject to oversight by a State agency, may or may not be examined and subject to supervision. Any questions about whether a lender meets this requirement should be addressed to DAFLP, Guaranteed Loan Making Branch.

Acceptable agencies and their web sites that in some cases identify enforcement actions as well as other activities associated with a lender, include, but are not limited to, the following:

- FDIC at <http://www.fdic.gov/bank/individual/enforcement/index.html>
- Office of Comptroller of the Currency at http://www.occ.treas.gov/enforce/enf_search.htm
- Office of Thrift Supervision at <http://www.ots.treas.gov/enforcement/default.cfm?catNumber=41>
- Federal Reserve Board at <http://www.federalreserve.gov/boarddocs/enforcement/>
- *--FCA at https://www.fca.gov--*
- National Credit Union Administration at <http://www.ncua.gov/Legal/Regs/Pages/AdminOrders.aspx>
- U.S. Department of the Treasury's Community Development Financial Institutions Fund at <http://www.cdfifund.gov/awardees/db/index.asp>, for nontraditional lenders
- State banking commissions.

For traditional lenders, SED's shall check the appropriate regulatory agency web sites to determine whether the lender is subject to any enforcement action before engaging in a new lending relationship.

For nontraditional lenders, DAFLP shall check the appropriate regulatory agency to determine whether the lender is subject to any enforcement action before engaging in a new lending relationship. In addition, DAFLP may periodically complete a review of the financial capacity for nontraditional lenders whose financial statements are not readily available. SED's will be informed of any deficiencies noted.

46 Eligibility Requirements for SEL (7 CFR 762.105(b)) (Continued)

D Local Lender

The lender must maintain an office near enough to the collateral's location so it can properly and efficiently discharge its loan making and loan servicing responsibilities or use Agency approved agents, correspondents, branches, or other institutions or persons to provide expertise to assist in carrying out its responsibilities. The lender must be a local lender unless it does either of the following:

- **normally makes loans in the region or geographic location in which the applicant's operation being financed is located**
- **demonstrates specific expertise in making and servicing loans for the proposed operation.**

It is expected that the lender's business office will be located near the loans that it services. If the lender is lending out of its normal service area, FSA shall determine whether or not the loan can be appropriately serviced by the lender. Depending on the type of loan and the type of farming operation, it is important the lender have:

- local knowledge
- the ability to conduct inspections of collateral
- regular contact with the borrower.

E Participation

The lender, its officers, or agents must not be debarred or suspended from participation in Government contracts or programs and the lender must not be delinquent on a Government debt.

See 1-FLP, paragraph 43 for additional guidance about debarment and suspension.

- *--Federal law restricts FSA from entering into loan guarantees with corporations that have been convicted of criminal violation under Federal law or have outstanding Federal tax delinquencies. Therefore, lenders that are corporations must complete and return AD-3030 before FSA issues FSA-2235. See Pub. L. 113-235, Sections 744 and 745.

For the purposes of completing AD-3030, a corporation includes, but is not limited to, any entity that has filed articles of incorporation in 1 of the 50 States, the District of Columbia, or the various territories of the United States, including American Samoa, Federated States of Micronesia, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, Republic of Palau, Republic of the Marshall Islands, or the U.S. Virgin Islands. Corporations include both profit and nonprofit entities.--*

47 Approval Process for SEL

A FSA Application for Guarantee Review

The authorized agency official shall review the Application for Guarantee in conjunction with the eligibility criteria in paragraph 46 to determine whether the lender is eligible to process the requested guarantee. This review will be done with the review of the proposed guaranteed loan.

B Approval

SEL approval is granted for the purpose of originating and servicing a guaranteed loan. SEL eligibility is evaluated with each guarantee application. If the lender continues to meet the requirements of paragraph 46, guarantee requests may continue to be processed. A new Lenders Agreement is not required unless the most recent version of Lenders Agreement has not been executed. * * *

Traditional lenders are subject to a comprehensive financial examination and their financial statements are readily available online. Nontraditional lenders may not be subject to the level of financial examination of traditional lenders and their financial statements may not be easily obtained.

For nontraditional lenders, whose financial statements are not available online or from any other source, the following may be obtained from the lender.

- Copy of the year-end reviewed or audited financial statements for the last 2 years.
- Note:** Financial statements must be prepared according to Generally Accepted Accounting Principles.
- Schedule of current sources of funding and funds available for agricultural lending.
 - Agricultural loan performance history for the last 2 years; including current delinquency, default, and loss rates.
 - Current loan loss reserve and methodology for allowance for loan losses.

Note: For certain nontraditional lenders, DAFLP may be able to determine the lender's financial capacity from other sources, such as financial strength rating from an accredited private or State rating agency. In these cases, some or all of the information to be obtained from the lender may not be required.

For nontraditional lenders, DAFLP will be the SEL status approval official and issue the Lenders Agreement.

To develop expertise in guaranteed lending, SEL's are encouraged to designate 1 or more staff members to:

- process and service FSA guaranteed loans
- attend FSA-sponsored training.

Section 3 Other Guaranteed Application Options

70.5 Application Requirements for CL's (7 CFR 762.110(d))

A CL Program

The objective of the CL Program is to facilitate implementing conservation practices rather than be a safety net for family farmers. Because of the emphasis on the environment, the CL Program can provide funds to individuals and entities that normally would **not** qualify for FSA assistance.

CL's:

- are **not** limited to family farmers and CL applicants can operate noneligible enterprises as defined in Exhibit 2
- *--**Note:** A portion of the applicant's income may be derived from a noneligible enterprise source and the conservation measure may benefit the noneligible enterprise. However, the applicant must be engaged in production agriculture (an enterprise that would normally be eligible for FSA's FO or OL programs and does not meet FSA's definition of noneligible enterprise).--*
- will **not** need to pass the test for credit, and the graduation requirements of OL and FO loans do **not** apply.

All CL applications will consist of the applicable items as outlined in paragraphs 66, 67, 68, and 70.

B Streamlined CL's

Applicants who qualify for Streamlined CL's have already developed a higher level of management skills and financial security. For applicants with exceptionally strong financial positions, the lender will **not** be required to perform as intensive a cash flow analysis as is necessary for other applicants. The lender will only be required to follow their internal process that they would use for nonguaranteed applicants for cash flow analysis.

[7 CFR 762.110(d)] For CL guarantee applicants meeting all the following criteria, the cash flow budget requirement in this section will be waived:

- **be current on all payments to all creditors including the Agency (if currently an Agency borrower)**
- **debt to asset ratio is 40 percent or less**
- **balance sheet indicates a net worth of 3 times the requested loan amount or greater**
- *--**FICO credit score is at least 700. For entity applicants, the FICO credit score of the majority of the individual members must be at least 700.**--*

71 Application Requirements for Subsequent OL's

A Application Requirements

Subsequent OL's within the same operating cycle do not require the complete application submission in paragraphs 65, 66, 67, 68, and 70. See subparagraph B.

B Submission Requirement

Only items that have changed from the original application must be submitted, such as the cash flow projection.

--72 Market Placement Program (7 CFR 762.110(h))--

A Purpose

The Market Placement Program:

- is designed to assist qualified existing direct loan borrowers and new direct loan applicants in obtaining a guaranteed farm loan from a commercial lender
- reduces the number of direct loans FSA makes, which reduces FSA costs while still meeting the credit needs of the farmer
- helps new lenders become familiar with FSA lending standards and; therefore, serves a marketing function for the Guaranteed Farm Loan Program.

Note: The Market Placement Program does **not** apply to CL's because there is no test for credit requirement.

B Lender Participation

Each County Office shall identify lenders who are interested in participating in the Market Placement Program. To identify lenders, the County Office shall contact lenders:

- currently participating in the Guaranteed Farm Loan Program
- who are **not** participating in the Guaranteed Farm Loan Program.

Lenders should advise FSA of their interest.

--72 Market Placement Program (7 CFR 762.110(h)) (Continued)--**C FSA Preparation of Loan Application**

When the Agency determines that a direct loan applicant or borrower may qualify for guaranteed credit, the Agency may submit the applicant or borrower's financial information to one or more guaranteed lenders. If a lender indicates interest in providing financing to the applicant or borrower through the guaranteed loan program, the Agency will assist in completing the application for guarantee.

FSA shall complete and provide the following to lenders:

- Application for Guarantee
- farm operating plan
- a narrative
- a suggested plan for servicing
- an appraisal.

To complete the guaranteed loan application, the authorized agency official shall use estimated interest rates and terms. If more than 1 lender is interested in the guaranteed loan, the applicant shall select 1 of the lenders. The lender must prepare the loan or LOC agreement. SEL's must submit the loan or LOC agreement to FSA before FSA issues the Conditional Commitment. The Conditional Commitment shall be issued upon the lender's acceptance of the loan application and confirmation that funds are available.

73 Filing Applications Electronically**A Registering to Submit Applications**

Lenders may submit applications electronically through USDA's Online Services web site. Lenders interested in filing electronically must first register. An explanation of the registration process, along with the necessary form, can be found by either of the following:

- at <http://www.sc.egov.usda.gov>, CLICK "Register"
- contacting any USDA Service Center.

Currently, registration is limited to individuals; lenders cannot be registered as organizations. However, persons representing lenders may register as an individual, and then may electronically sign and submit applications on behalf of the lender.

73 **Filing Applications Electronically (Continued)****B Submitting Applications**

After a lender's representative has registered and received a user ID and password, the representative may submit applications electronically. Go to <http://www.sc.egov.usda.gov>, CLICK "eForms", sign in, and follow the instructions to find, complete, and submit forms. Other electronic documents needed for a complete application may be attached to the application form and submitted to FSA. Lenders shall see Exhibit 5 for additional information about registering and accessing FSA's electronic online systems.

If the lender submits the application electronically and all the required electronic signatures are not obtained, the application will be processed. However, the original, completed Application for Guarantee or Preferred Lender Application, with appropriate applicant signatures, must be provided to FSA before FSA will issue the guarantee.

-- Lenders may also submit the application electronically by FAX or e-mail. FAXed and scanned signatures shall be accepted according to 1-CM, paragraph 680.--

C Lender Requirements for Electronic Reporting

Information supplied by lenders through the USDA LINC web site meets the submission requirements. Lenders are not required to submit hard copies of information, such as loan closing reports or status reports.

Lenders must complete the following requirements to participate in electronic reporting through the USDA LINC web site.

- Each lender employee who participates in electronic reporting must create a Level 2 eAuthentication ID and password at www.eauth.egov.usda.gov.
- Level 2 security provides users with the ability to conduct official electronic business transactions with USDA agencies through the Internet. If a lender's employee presently has a Level 2 eAuthentication ID/account with any USDA agency, then a second account is not needed.
- Lenders are responsible for ensuring that all employees who will have access to electronic reporting adhere to the requirements in FSA-2201.
- Each lender must designate an employee as their Security Administrator who will have the authority and responsibility of granting access to other employees designated by the lender to use FSA's electronic reporting applications. The Security Administrator can have authority over all of the lender's portfolio as a Lender Administrator or can be limited to a single branch as a Branch Administrator. The Security Administrator will be the point of contact for FSA for maintaining the lender employees' eAuthentication ID's in AASM. A lender can choose to designate additional Security Administrators to act as a backup for the primary Security Administrator.

135 Interest Rate Requirements (7 CFR 762.124(a)) (Continued)

C Maximum Interest Rates for Lenders Not Using Risk-Based Pricing Practices

At the time of loan closing or loan restructuring, the interest rate on both the guaranteed portion and the nonguaranteed portion of a fixed or variable rate CL, OL or FO loan may not exceed the following, as applicable:

- **For lenders not using risk-based pricing practices, for variable rate loans or fixed rate loans with rates fixed for less than five years, 650 basis points (6.5 percentage points) above the 3-month LIBOR.**
- **For lenders not using risk-based pricing practices, for loans with rates fixed for five or more years, 550 basis points (5.5 percentage points) above the 5-year Treasury note rate.**

The lender is not required to tie its guaranteed loan interest rates to 3-month LIBOR or 5-year Treasury, nor is it required that the rate remain below the maximums throughout the term of the loan. This requirement only sets the maximum rate that may be charged to the customer at the time of loan closing or restructuring.

Note: The maximum rate is not based on loan terms, purpose, or type. It is based on how long the interest rate is fixed. For variable rate loans and loans with an interest rate fixed for less than 5 years, regardless of program type (CL, OL or FO), the maximum rate is based on the 3-month LIBOR index.

Loans with interest rate fixed for 5 or more years, the maximum rate is based on the 5-year Treasury index.

At lender loan file review, the authorized agency official will verify the interest rate charged the guarantee customer at closing did not exceed the maximum rate, and document on applicable file review checklist.

To obtain rates for each index, the authorized agency official can access the GLS Add Loan *--Closing Screen and click the 3-month LIBOR or 5-year Treasury note rate. The links will open the following Web pages:

- 3-month LIBOR at http://online.wsj.com/mdc/public/page/2_3020-libor.html, scroll--* down to find year and date needed
- 5-year Treasury at <http://www.federalreserve.gov/releases/h15/data.htm>, scroll down to 5-year Treasury constant maturities and click on the business day.

135 Interest Rate Requirements (7 CFR 762.124(a)) (Continued)

***--C Maximum Interest Rates for Lenders Not Using Risk-Based Pricing Practices (Continued)**

To access the training:

- go to FSA Intranet at <http://fsaintranet.sc.egov.usda.gov/fsa/>
- under “Resources”, CLICK “**FSA Applications**”
- under “Farm Loan Programs”, CLICK “**Farm Loan Programs Systems**”
- under “Informational Links”, CLICK “**Presentations**”
- under “Training Materials”, CLICK “**GL Interest Rate Training Presentation**”.

Note: The 5-yr Treasury note rate may also be listed as Treasury Constant Maturities as published on the Federal Reserve web site.

The following examples are provided to illustrate how to determine the maximum interest rate.

Example 1: Lender closes a 4-year GOL. The rate is fixed at 7.5% on the date loan closes. The 3-month LIBOR rate on date loan closes is 2.5% and the 5-year Treasury rate is 2.0%.

The maximum rate would be 9.0% (3-month LIBOR rate 2.5% plus maximum spread 6.5% = 9%).

In this example, the lender’s rate does not exceed the maximum rate and; therefore, meets the limitation.

Example 2: Lender closes a 7-year GOL. The rate is fixed for the first 3 years at 8% on the date loan closes and variable for the remaining term. The 3-month LIBOR rate on date loan closes is 2.0% and the 5-year Treasury rate is 1.75%.

The maximum rate would be 8.5% (3-month LIBOR rate 2.0% plus maximum spread 6.5% = 8.5%).

In this example, the lender’s rate does not exceed the maximum rate and; therefore, meets the limitation.

Example 3: Lender closes a 20-year GFO. The rate is fixed for the first 5 years at 7.0% on the date loan closes and variable for the remaining term. The 3-month LIBOR rate on date loan closes is 2.0% and the 5-year Treasury rate is 1.0%.

The maximum rate would be 6.5% (5-year Treasury rate 1.0% plus maximum spread 5.5% = 6.5%).

In this example, the lender’s rate exceeds the maximum rate and; therefore, does not meet the limitation.--*

245 Agency Obligation of the Loan (7 CFR 762.130) (Continued)

C Issuing the Conditional Commitment

After receiving confirmation from GLS that funds have been obligated for the loan, the authorized agency official may execute the Conditional Commitment. Since the Conditional Commitment will be used by FSA in the event of a loss claim to determine the responsibilities of the lender, the authorized agency official should give careful attention to the Conditional Commitment's completion.

- **Loan Purposes.** The authorized agency official should ensure that the specific purposes for which the loan funds will be used are detailed on the Conditional Commitment. These purposes must be consistent with the purposes shown on Application for Guarantee or Preferred Lender Application and any agreed modifications.
- **Security for the Loan.** The authorized agency official should ensure that additional security items not listed on Application for Guarantee and Preferred Lender Application, but required by FSA, are included on the Conditional Commitment.
- **Electronic Applications.** If the lender submitted Application for Guarantee or Preferred Lender Application electronically and all of the required electronic signatures are not obtained, then Conditional Commitment, item 17 should specify that the original, signed copy of the application be submitted with the loan closing documents.
- **Lender's Agreement.** The lender will be required to execute FSA's Lender's Agreement if the lender does **not** have one in effect.
- ***--Corporate Restriction.** Lenders that are corporations will be required to complete and return AD-3030 before FSA issues FSA-2235. FSA officials will add this as a condition to FSA-2232.--*

In developing the Conditional Commitment, the authorized agency official shall tailor the Conditional Commitment to the specific borrower. Long lists of standard conditions developed for all borrowers should not be used. Each condition placed on the loan must be appropriate to the specific lending situation and produce a higher quality loan.

Issuing the Conditional Commitment with conditions is preferred to rejection of the request.

Example: If the security proposed by the lender will result in an inadequately secured loan, rather than deny the guarantee request, the Conditional Commitment may be executed, subject to the lender obtaining a lien on specified additional collateral.

Once the Conditional Commitment has been developed using the guidelines in this paragraph, the authorized agency official shall submit the Conditional Commitment to the lender for execution according to paragraph 246.

246 Lender's Response to the Conditional Commitment (7 CFR 762.130(c))**A Accepting or Rejecting Conditions**

The lender must meet all of the conditions specified in the Conditional Commitment to secure final Agency approval of the guarantee. The lender, after reviewing the conditions listed on the Conditional Commitment, will complete, execute, and return the form to the Agency. If the conditions are not acceptable to the lender, the Agency may agree to alternatives or inform the lender and the applicant of their appeal rights.

When the lender receives the Conditional Commitment, the lender should carefully review all the conditions. If the lender accepts all of the conditions, the lender should complete, sign, and return the Conditional Commitment to the authorized agency official.

If the lender rejects the conditions, the lender may propose new conditions, along with justification for them. The authorized agency official should review the new conditions and the lender's justification to determine whether they are acceptable to FSA. If the conditions cannot be accepted, the authorized agency official should contact the lender to see if an agreement can be reached that is acceptable to both parties. If the new conditions are accepted or an agreement is reached, the conditions must then be reviewed and approved by the loan approval official before their incorporation in the Conditional Commitment.

If, after all reasonable efforts have been made, an agreement cannot be reached, the authorized agency official shall issue a rejection letter and inform the applicant, with a copy to the lender, of the appeal rights according to 1-APP. Only after completion of the appeal may the authorized agency official proceed with deobligation of funding in

--paragraph 249.--

If a PLP lender rejects an 80 percent guarantee, received as a result of FSA not acting on a request within 14 calendar days, the authorized agency official shall continue to process the request and issue a revised Conditional Commitment. If warranted, the revised Conditional Commitment may contain conditions. The lender will have the option of accepting the 80 percent guarantee without conditions or come to an agreement with FSA on any conditions in the revised Conditional Commitment, and receive the requested level of guarantee.

247 Actions Before Issuing the Loan Guarantee (7 CFR 762.130) (Continued)

A Lender's Actions (Continued)

- as of loan closing, applicant has an outstanding balance on a direct Downpayment loan under 3-FLP, Part 7, Section 2, or a qualified State Beginning Farmer loan; or has a direct Downpayment loan or a qualified State Beginning Farmer loan approved but funding is not available at the time the guaranteed loan is closed.

Notes: Applicants meeting only the definition of beginning or socially disadvantaged farmer will not qualify for the waiver.

A qualified State Beginning Farmer Program has MOU between the State and USDA and has been approved by DAFLP and signed by the State.

- a copy of the executed promissory note or loan agreement

Note: The lender will use its own promissory notes, line of credit agreements, real estate mortgages (including deeds of trust and similar instruments), and security agreements (including chattel mortgages), provided:

- the forms meet Agency requirements
- documents comply with State law and regulation
- the principal and interest repayment schedules are stated clearly in the notes and are consistent with the conditional commitment

Note: A lender may use notes with short-term maturities for intermediate and long-term loans provided:

- the lender has indicated the intended term of the loan

Note: This may be done by entering the total number of years in the repayment period block of the application form.

- the subsequent note is a continuation of the original intended repayment plan and not a restructuring of a past due account
- there is a clear link between the Loan Guarantee and all the notes intended to be covered by the Loan Guarantee. The Loan Guarantee references only the debt instrument used at loan closing. The necessary linkage may be established with a master note, a loan agreement, or by referring in the subsequent notes to the original debt instrument referenced on the Loan Guarantee.

247 Actions Before Issuing the Loan Guarantee (7 CFR 762.130) (Continued)

A Lender's Actions (Continued)

- the note is executed by the individual liable for the loan

Note: For entity applicants, the promissory note will be executed to evidence liability for the entity, any embedded entities, and the individual liability of all entity members (including individual owners of embedded entities). Personal guarantees, or other forms, will not be used to address the individual liability requirement. **Individual liability can be waived by the Agency for members holding less than 10 percent ownership in the entity if the collectability of the loan will not be impaired.**

- when the loan purpose is to refinance or restructure the lender's own debt, the lender may continue to use the existing debt instrument and attach an allonge that modifies the terms of the original note.

Note: This also applies when a lender has closed an approved guaranteed loan before funds are available.

See Exhibit 11 for additional guidance.

- *--AD-3030. Lenders that are corporations must complete and return AD-3030. A lender is a corporation if they file articles of incorporation with the Department of State where their headquarters is located. A completed AD-3030 must be received for each application.--*

In addition, the lender should take the following actions.

- Inform FSA of the lender's plans to market the loan to the secondary market. These plans must be consistent with Part 15. LOC's may be funded in participation with other lenders, but may not be sold into the secondary market.
- **The lender must notify the Agency of any scheduled inspections during construction and after the guarantee has been issued. The Agency may attend these field inspections. Any inspections or review performed by the Agency, including those with the lender, are for the benefit of the Agency only. Agency inspections do not relieve any other parties of their inspection responsibilities, nor can these parties rely on Agency inspections in any manner.**

247 Actions Before Issuing the Loan Guarantee (7 CFR 762.130) (Continued)

B FSA Actions

After FSA receives the information from the lender detailed in subparagraph A, the authorized agency official must take the following actions before executing the Loan Guarantee to guarantee the loan.

- Review the Conditional Commitment to ensure that the loan closed according to the agreed conditions.
- Review the executed loan agreement and promissory note and compare with the Conditional Commitment to ensure consistency with the agreed upon terms and personal liability of entity members.
- For SEL's, review the evaluation or appraisal of collateral to ensure that it meets the requirements of paragraph 183. For CLP and PLP lenders, the agency official will review 20 percent of each lender's evaluations. This should be completed during the lender's file review required by subparagraph 267 B.

Note: For real estate evaluations, this review shall be completed on FSA-2234.

- *--Review AD-3030 if the lender is a corporation. Ensure that AD-3030 is properly completed and review the responses to the questions and signatures. Anyone signing FSA-2211 or FSA-2212 is considered to have authority to sign AD-3030. If the lender has responded "Yes" to any of the questions, the lender is ineligible to receive a guarantee.--*
- Review the lender's proposed marketing plans to the secondary market. If the lender is proposing to sell the loan or a portion of the loan into the secondary market, documents should be checked to ensure consistency before sale. The authorized agency official should take additional care to review the Conditional Commitment, the Loan Guarantee, the loan agreement, and promissory notes to ensure the following:
 - principal amount and interest rate are consistent
 - closing date on the note and guarantee are consistent
 - borrower's name, lender's name, and FSA contact information are consistent on all documents.
- For loans involving construction, review the lender's proposed plans for construction inspections and how they intend to ensure that the project is completed according to agreed upon terms.

248 Issuing the Loan Guarantee**A Action**

Once the requirements of paragraph 247 have been met, the authorized agency official may prepare and issue the Loan Guarantee. The original Loan Guarantee should be provided to the lender to be attached to the original note. A conformed copy, or signed and dated photocopy, with copies of the note should be kept by FSA in the loan docket.

--B Documents To Be Transmitted to NFAOC--

The guarantee fee will be processed through the National Receipts and Receivable System using applicable collection type. See 3-FI for additional guidance. The authorized agency official shall make every attempt to review the closing documents before processing the guarantee fee. However, FSA shall adhere to the timeframes in 3-FI to process the fee even in situations when the authorized agency official is not able to review the closing documents timely. The Loan Closing Transaction shall be input through GLS Add Loan Screen.

C Refund of Guarantee Fee

The guarantee fee is not refundable once the Loan Guarantee has been issued and loan funds disbursed. However, if the fee was processed before reviewing closing documents and it is later determined that the guarantee cannot be issued, the fee may be refunded to the lender.

The authorized agency official will forward a memorandum to the State Office with the reasons FSA was not able to issue the Loan Guarantee and request that the fee be refunded.

--If approved, the State Office will FAX the memorandum to NFAOC, Farm and Community Services Branch, requesting that the fee be refunded.--

A request for a guarantee fee refund for any other reason shall be forwarded to the National Office for approval.

249 Deobligation of Loan Funds**A Deobligation of Funds**

Under certain circumstances, the authorized agency official may need to consider a deobligation of loan funds. If the conditions for the loan or LOC cannot be met after completing the appeal process, the authorized agency official must execute FSA-2072 to cancel the actual obligation.

B FAXing FSA-2072

FSA-2072 should be FAXed to the State Office that will process the cancellation or deobligation through GLS.

341 Lender's Responsibilities in Bankruptcy Proceedings (7 CFR 762.148(a)) (Continued)

A Lender Responsibilities in Bankruptcy Cases (Continued)

- **Monitor confirmed plans under chapters 11, 12, and 13 of the bankruptcy code to determine borrower compliance. If the borrower fails to comply, the lender will seek a dismissal of the reorganization plan.**
- **When permitted by the bankruptcy code, requesting a modification of any plan of reorganization if it appears additional recoveries are likely.**
- **Keeping the Agency regularly informed in writing of all aspects of the proceedings.**
 - The lender will submit a regular default status report when the borrower defaults and ***--should include with the default status report all significant steps in the bankruptcy--*** proceeding, including the dates and pertinent details concerning:
 - confirmation of the plan
 - effective date of the plan
 - date the plan is completed
 - failure of the debtor to comply with the plan
 - discharge of the debtor.
 - ***--The lender shall submit a default status report (FSA-2248) when the borrower defaults and every 60 days until the default is resolved or a final loss claim is paid. The initial Default Status Report is sent to the local credit office immediately following the lender-borrower default meeting (see paragraph 313).**
- **The default status report (FSA-2248) will be used to inform the Agency of the--* bankruptcy filing, the reorganization plan confirmation date and effective date, when the reorganization plan is complete, and when the borrower is not in compliance with the reorganization plan.**

342 Lender's Claims for Expenses and Estimated Losses in Reorganization Bankruptcy Proceedings (7 CFR 762.148)**A Claims for Expenses in Reorganizations**

Lenders will be compensated for expenses and losses incurred as a result of a Chapter 11, 12, or 13 bankruptcy proceeding as follows:

- **Lender's in-house expenses, which are those expenses which would normally be incurred for administration of the loan, including in-house lawyers, are not covered by the guarantee.**
 - Expenses paid by lenders to third parties will be compensated as follows
 - **Expenses, such as legal fees, and the cost of appraisals incurred by the lender as a direct result of the borrower's Chapter 11, 12, or 13 reorganization, are covered under the guarantee, provided they are reasonable, customary, and provide a demonstrated economic benefit to the lender and the Agency** and will be paid upon satisfactory claim by the lender. Such expenses must be incurred following the filing of a voluntary petition by the borrower, and must be incurred before discharge of the debtor. Such third party costs must be reasonable and appropriate, and must be documented in the lender's files. Reasonable and appropriate generally will be determined by the commercial standards and practices in that location, and should be typical for the unguaranteed loans of the lender. Appraisal costs significantly higher than typical appraisal costs for a similar appraisal in the same part of the country by an appraiser of similar experience, for example, might be unreasonable.
- Note:** When reviewing the ledger provided with a loss claim, it should be noted that interest may accrue on protective advances; however, interest that accrues on legal fees paid by the lender are not covered by the Guarantee.
- Claims for expenses in reorganizations may be combined with claims for estimated losses of principal and interest or protective advances, but will not be paid the lender before plan confirmation.

342 Lender's Claims for Expenses and Estimated Losses in Reorganization Bankruptcy Proceedings (7 CFR 762.148) (Continued)

B Claims for Estimated Losses of Principal and Interest in Reorganizations

Lenders may submit a claim for losses of principal and interest sustained as a result of a reorganization plan in a bankruptcy reorganization proceeding. Lenders may have had an estimated loss claim approved by FSA before the reorganization bankruptcy filing. These *--lenders may have to submit a revised loss claim (bankruptcy type 05) as a result of the--* reorganization plan.

- Claims should be submitted using FSA-2254 to the authorized agency official. The authorized agency official shall review the claim using FSA-2295 and either request modifications by the lender or forward the claim to SED with recommendations and supporting documents as necessary.
- ***--At confirmation, the lender may submit an estimated loss claim (bankruptcy type 05) upon confirmation of the reorganization plan in accordance with the following:** The initial estimated loss claim (bankruptcy type 05) must include a copy of the confirmed bankruptcy plan and a memorandum clearly indicating the plan's confirmation date, the date the plan is to go into effect, and any other relevant information concerning the loan and the loss claim. Supporting documentation must be supplied immediately following confirmation of the plan.
- During the bankruptcy, interest accrual coverage begins with the filing date and continues through the plan confirmation date and will be paid as part of the estimated (bankruptcy type 05) loss.
- For subsequent bankruptcy reorganization filings, FSA will cover interest accrual on the portion of the debt determined to have become unsecured because of the multiple filings, but only if the initial bankruptcy was filed within 150 calendar days of default or the lender submitted an estimated loss claim within 150 calendar days of default.
- **The estimated loss claim (bankruptcy type 05) will cover the guaranteed--* percentage of the principal and accrued interest written off, plus any allowable costs incurred as of the effective date of the plan.**
- **The lender will submit supporting documentation for the loss claim.**
- ***--The estimated loss (bankruptcy type 05) payment may be revised as consistent--* with a court-approved reorganization plan.**

342 Lender's Claims for Expenses and Estimated Losses in Reorganization Bankruptcy Proceedings (7 CFR 762.148) (Continued)

- *--The estimated loss (bankruptcy type 05) claim may be revised after a court-approved partial liquidation of the collateral. When this occurs, the revised claim will be based upon the actual value received for the liquidated collateral as long as the lender made every effort to ensure that maximum proceeds were received. In these cases, FSA will pay the lender additional interest on that portion of debt that is determined to be unsecured on the bankruptcy (type 05) loss claim during and up to 45 calendar days after the court order for the chattel-secured portion of the debt and 90 calendar days for real estate.--*

C Claims for Estimated Interest-Only Losses in Reorganizations

Lenders may submit an estimated loss claim for interest only after confirmation of the reorganization plan in accordance with the following.

- Claims should be submitted using FSA-2254 to the authorized agency official.
- The interest-only estimated loss claim can be approved only after the confirmation date of the reorganization plan.
- The initial interest-only estimated loss claim may include a claim for interest accrued to the effective date of the reorganization plan (the date when the plan becomes effective). This date may be later than the date the plan is approved by the court (the confirmation date). This loss will be paid as of the plan's effective date with no additional interest accrual after that date.
- If the loan has a variable rate that remains at or below the court-ordered rate during the claim period, no loss claim may be submitted.
- Subsequent claims for interest-only estimated losses covering 1-year periods following the effective date of the reorganization plan may be submitted annually, and will be processed on the anniversary date of the effective date of the reorganization plan or immediately thereafter.
- **The loss claims may cover interest losses sustained as a result of court-ordered, permanent interest rate reduction.**
- **The loss claims will be processed annually on the anniversary date of the effective date of the reorganization plan.**

Note: Loss claims may also be processed immediately following the payment due date established in the reorganization plan and on that date annually thereafter.

- **If the borrower performs under the terms of the reorganization plan, annual interest reduction loss claims will be submitted on or near the same date, beyond the period of the reorganization plan.**

342 Lender's Claims for Expenses and Estimated Losses in Reorganization Bankruptcy Proceedings (7 CFR 762.148) (Continued)**D Claims for Reimbursement of Protective Advances in Reorganizations**

Protective advances made and approved in accordance with § 762.149

***--(subparagraph 360 D) may be included in an estimated loss claim associated with a--* reorganization, if:**

- **they were incurred in connection with the initiation of liquidation action prior to bankruptcy filing**
- **the advance is required to provide repairs, insurance, etc. to protect the collateral as a result of delays in the case, or failure of the borrower to maintain the security.**

Interest on protective advances will accrue only to the effective date of the reorganization plan.

E Claims for Actual Losses in Reorganizations

Once the reorganization plan is complete, the lender will provide the Agency with documentation of the actual loss sustained.

- **If the actual loss sustained is greater than the estimated loss payment, the lender may submit a revised estimated loss claim to obtain payment of the additional amount owed by the Agency under the guarantee.**
- **If the actual loss is less than the prior estimated loss, the lender will reimburse the Agency for the overpayment plus interest at the note rate from the date of the payment of the estimated loss.**

F Payment to Holder in Reorganizations

In reorganization bankruptcy, if a holder makes demand upon the Agency, the Agency will pay the holder interest to the plan's effective date. Accruing interest thereafter will be based upon the provisions of the reorganization plan. For lender and FSA responsibilities upon FSA repurchase, see subparagraph 376 B.

343 Lender's Claims for Expenses and Estimated Losses in Liquidation Bankruptcy Proceedings (7 CFR 762.148)**A Claims for Expenses in Liquidation**

[7 CFR 762.148(b)] Reasonable and customary liquidation expenses may be deducted from the proceeds of the collateral in liquidation bankruptcy cases or in reorganization bankruptcy where the plan calls for a partial liquidation of the collateral.

- **In-house expenses are not considered reasonable and customary liquidation expenses and may not be deducted from collateral proceeds.**
- **[7 CFR 762.148(d)] Upon receipt of notification that a borrower has filed for protection under Chapter 7 of the Bankruptcy Code, or upon confirmation of a liquidation plan under Chapter 11, the lender must proceed according to the liquidation procedures of this part (Part 14).**
- **If the property is abandoned by the trustee, the lender will conduct the liquidation according to § 762.149, and seek to realize value from the property.**
- **Proceeds received from partial sale of collateral during bankruptcy may be used by the lender to pay reasonable costs, such as freight, labor and sales commissions, associated with the partial sale. Reasonable use of proceeds for this purpose must**
--be documented with the final loss claim in accordance with § 762.149(i)(4).--

344 FSA Responsibilities in Bankruptcy Proceedings

A Monitoring Responsibilities

The authorized agency official must review the default status report, submitted by the lender and request updates to the bankruptcy proceedings. They should periodically monitor the lender's files to ensure that all necessary actions are taken by the lender concerning a bankruptcy case. This review should include verifying that the lender:

- files proof of claim and all necessary papers and pleadings concerning the case
- attends and where necessary participates in meetings of the creditors and all court proceedings
- seeks adequate protection of the collateral
- advises the authorized agency official of the status of the bankruptcy action
- requests modification or dismissal of any plan of reorganization if it appears that additional recoveries are likely or if the borrower fails to comply with the requirements of the plan.

During a bankruptcy proceeding, the authorized agency official must:

- determine the necessity of an independent appraisal or evaluation according to 7 CFR 762.127 (paragraphs 181 and 182) of collateral
- review documentation supporting loss claims, including expense claims, submitted by the lender.

B Post Bankruptcy Plan Completion Actions

When a Chapter 11, 12, or 13 confirmed bankruptcy plan has been completed, unsecured debt will be discharged. Subparagraph 342 E requires the lender to provide documentation on the actual loss sustained. If there has been an additional loss incurred, an adjusted bankruptcy type 05 loss claim will be processed. When the bankruptcy type 05 loss claim is processed, FSA-2249 must also be submitted to adjust the loan to the new loan amount.

If the lender liquidates after a bankruptcy plan has been completed, but before the end of the term of the guarantee, the loss claim will be processed according to paragraphs 359 and 360 using the bankruptcy plan completion date as a beginning date for the new principal loan balance and the interest accrual for the loans.

If the loan pays in full, a loss claim is **not** required.

344 FSA Responsibilities in Bankruptcy Proceedings (Continued)**C Review of Bankruptcy Loss Claim**

The authorized agency official must:

- review FSA-2254 submitted by the lender, for accuracy, to ensure that FSA-2254 is coded correctly
- accept the loss claim or contact the lender to obtain revisions or additional information
- forward the claim to SED or its designee.

Note: The payment of any loss claim under a Chapter 7 or reorganization bankruptcy establishes a Federal debt. In the case of a Chapter 7, Regional OGC opinion is required to determine whether the borrower is or is not subject to offset. The payment of a claim under bankruptcy reorganization will not be subject to offset. See subparagraph 363 B for additional guidance.

All loss claims must be approved by SED. Following approval, SED shall forward approved loss claims to NFAOC, Farm and Community Services Branch.

345-354 (Reserved)

359 Lender Submission of Estimated Loss Claim (7 CFR 762.149)

A Overview

An estimated loss claim must be submitted by all lenders no later than 150 days after the payment due date unless the account has been completely liquidated and then the *--final loss claim must be filed. Payment of interest beyond 150 calendar days up to 210 calendar days is to provide sufficient time for FSA and lenders to support the justified claim amount. This also applies to PLP lenders who request a complete review of their estimated loss claim. Lender delays in providing FSA requested information will result in interest accrual reduction for each day that extends beyond 10 calendar days from the date of FSA's request, if the claim processing extends the lender's interest accrual beyond 150 calendar days of the payment due date. Interest accrual reduction delays will never take the accrued interest back before 150 calendar days. If a claim is **not** provided within 150 calendar days, then interest accrual can never exceed 150 calendar days after the payment due date. See Exhibit 15.5 for examples.

The estimated loss will be based on the following:

- **The Agency will pay the lender the guaranteed percentage of the total outstanding debt, less the net recovery value of the remaining security, less any unaccounted for security.** See subparagraph 329 C for loss claims on previously restructured loans.--*
- **The lender will discontinue interest accrual on the defaulted loan at the time the estimated loss claim is paid by the Agency. The Agency will not pay interest beyond 210 days from the payment due date. If the lender estimates that there will be no loss after considering the costs of liquidation, an estimated loss of zero will be submitted and interest accrual will cease upon approval of the estimated loss and never later than 210 days from the payment due date.**
- *--Lenders will provide their loan daily interest accrual with their estimated loss claim.
- FSA will pay interest to the claim approval (settlement) date. The lender may claim interest to the date they received the estimated loss claim payment on the final loss claim.

Note: For Chapter 7 bankruptcy liquidation cases, interest accrual is processed like any estimated loss claim. The date of filing has no impact on the interest accrual determination.

Interest may be paid beyond the 210 calendar days maximum allowed by this paragraph only if all of the following have occurred:

- the lender has provided a claim no later than 150 calendar days of the payment due date
- the lender has provided all information required by FSA for processing--*

359 Lender Submission of Estimated Loss Claim (7 CFR 762.149) (Continued)**A Overview (Continued)**

- *--the FSA review and approval has extended beyond 30 calendar days from receipt of the final requested information
- the claim processing extends the lender's interest accrual beyond 210 calendar days from the payment due date. See Exhibit 15.5 for examples.

Notes: For Chapter 11, 12, and 13 bankruptcies, if the bankruptcy is dismissed before liquidation, interest accrual may exceed 210 calendar days from the payment due date. During the bankruptcy, interest continues to accrue, but the days for calculating interest termination do not count against the lender, including cases where the lender did not have an estimated loss claim, because the lender does not have the authority to liquidate. In these cases, the authorized agency official shall document that interest accrual exceeded 210 calendar days because of bankruptcy, and any other supporting documentation, in GLS. National Office approval does not need to be requested. See Exhibit 15.5 for examples.

For cases involving borrower-initiated litigation, interest accrual may exceed 210 calendar days from the payment due date. During the litigation, interest continues to accrue, but the days for calculating interest accrual termination will not count against the lender, including cases where the lender did not have an estimated loss claim, if the lender is unable to liquidate. In these cases, the authorized agency official shall document that interest accrual exceeded 210 calendar days because of litigation. See Exhibit 15.5 for examples.--*

B Estimated Liquidation Expenses

Certain reasonable costs to liquidate a loan may be included in the estimated loss claim. Eligible liquidation expenses include, but are not limited to, the following:

- appraisals
- marketing expenses
- auctioneer expenses
- legal fees.

359 Lender Submission of Estimated Loss Claim (7 CFR 762.149) (Continued)**B Estimated Liquidation Expenses (Continued)**

Note: Legal fees associated with the liquidation are a liquidation expense. FSA allows reasonable and necessary legal fees, including fees incurred in a Chapter 7 liquidation bankruptcy, to be deducted from the sale of the collateral before application of the net proceeds to the guaranteed debt. Lenders will be compensated for liquidation expenses incurred before the filing of a reorganization bankruptcy proceeding. An estimate of legal fees, and all liquidation costs, must be provided with an estimated loss claim, and documentation of actual expenses incurred must be provided with the final loss claim.

Packager fees and outside consultant fees for servicing of guaranteed loans are not covered by the guarantee, and will not be paid in an estimated loss claim.

In-house expenses are not allowable liquidation costs. In-house expenses include, but are not limited to, the following:

- employee salaries
- staff lawyers
- photocopying
- travel.

C Lender Submission of Estimated Loss Claim

Lenders will prepare and submit the estimated loss claim on FSA-2254 along with other supporting documentation to support the estimates to the authorized agency official.

The lender's supporting documentation shall include the following:

- unpaid accrued interest
- advances
- payments
- periods of time
- interest rates
- principal balances.

SEL and CLP lenders will also be required to submit appraisals and other documentation to support the estimates on FSA-2254. Estimated loss claims for PLP lenders will only be reviewed for accuracy and calculations of FSA-2254. FSA-2254 instructions provide examples on how to complete certain fields.

The lender must justify and explain any liquidation expenses on the estimated loss claim.

359 Lender Submission of Estimated Loss Claim (7 CFR 762.149) (Continued)**D Unapproved Loans or Advances**

The amount of any payments made by the borrower on unapproved loans or advances outside of the guarantee will be deducted from any loss claim submitted by the lender on the guaranteed loan, if that loan or advance was paid prior, and to the detriment of, the guaranteed loan.

E FSA Approval of Protective Advances

FSA will approve a request for a protective advance if the request is reasonable and the value of the security would decrease significantly if the advance was not made. FSA will respond within 14 calendar days to an SEL and CLP written request for concurrence on a protective advance. Concurrence with protective advances can be provided separately from approval of the liquidation plan.

PLP lenders will make protective advances according to the Lender's Agreement.

F FSA Approval and Payment of Estimated Loss Claim

The estimated loss claim may be reviewed and approved separately from the liquidation plan using FSA-2295. The estimated loss claim is submitted on FSA-2254 to the authorized agency official. After reviewing FSA-2254, the authorized agency official shall forward FSA-2254 and supporting documentation to SED with a recommendation to approve or dispute the estimated loss claim.

If SED finds the estimated loss claim to be accurate, SED shall approve the payment within 30 calendar days of estimated loss claim submission. If FSA wants to dispute the estimated loss claim, FSA shall attempt to resolve the differences with the lender within 30 calendar days of the submission.

After approval by SED, SED shall forward FSA-2254 to NFAOC, Farm and Community Services Branch for payment of the estimated loss claim according to 1-FLP, paragraph 5.

NFAOC, Farm and Community Services Branch shall issue a check to the lender within 30 calendar days of receiving FSA-2254. The PLP estimated loss claim will be paid after a brief review for accuracy.

359 Lender Submission of Estimated Loss Claim (7 CFR 762.149) (Continued)

G Application of Estimated Loss Payment

* * *

The application of the loss claim payment to the account does not automatically release the borrower of liability for any portion of the borrower's debt to the lender. The estimated loss payment compensates the lender for the loss, but does not reduce the loan balance or cure a delinquency, and should not be reflected as such on FSA-2248.

360 Lender Submission of Final Loss Claim (7 CFR 762.149) (Continued)**F FSA Approval and Payment of Final Loss Claim (Continued)**

Default interest, late charges, and loan servicing fees are not payable under the loss claim.

The final loss will be the remaining outstanding balance after application of the estimated loss payment and the application of proceeds from the liquidation of the security. The lender will designate 1 or more financial institutions to which any FSA payments will be made by EFT.

In the case of a Chapter 7 bankruptcy, where the lender filed an estimated loss claim, FSA will pay the lender interest that accrues during and up to:

- **45 calendar days after the date of discharge on the portion of the chattel only secured debt that was estimated to be secured but upon final liquidation was found to be unsecured**
- **90 calendar days after the date of discharge on the portion of real estate secured debt that was estimated to be secured but was found to be unsecured upon final disposition**

The Agency will pay the lender interest which accrues during and up to 90 calendar days after the time period the lender is unable to dispose of acquired property because of State imposed redemption rights, on any unsecured portion of the loan during the redemption period, if an estimated loss claim was submitted by the lender or paid by the Agency during the liquidation action.

FSA shall pay the lender the guaranteed percentage of the unpaid balance remaining on the loan after liquidation and application of proceeds. To verify that the amount requested is valid, SED shall review the County Office loan file, the lender's loan ledgers, and for PLP, the lender's loan file. If there are any discrepancies in the lender's application processing or loan servicing, the lender will be requested to provide clarification or explanation if the concern may have contributed to failure of the loan or caused a monetary loss. If security was not obtained as indicated on the application, the value will be deducted from the lender's claim, if that value is known or can be reasonably estimated. In the case of unaccounted for security that was not sold, traded, or explained in some manner, the value of the collateral will be deducted only to the extent that the actions of the lender contributed to its misplacement.

360 Lender Submission of Final Loss Claim (7 CFR 762.149) (Continued)

F FSA Approval and Payment of Final Loss Claim (Continued)

--Interest accrual as part of a final claim will be the same as the estimated claim, except that it may include interest that accrued between the estimated loss claim settlement date and the date the lender received payment for all final claims in which an estimated claim was previously submitted. In addition, the final claim may include accruing interest in some Chapter 7 bankruptcy cases where State redemption rights have delayed disposal of the property and in Chapter 12 and 13 bankruptcies that had previously been confirmed but are now being liquidated before the completion of the bankruptcy plan. If an estimated loss of zero was provided, SED shall determine whether the lender has liquidated the account in a-- timely manner. If liquidation was unduly delayed or the lender did not comply with the reporting requirements of this part, interest accrual will be included on the claim to the date that SED determines that liquidation should have reasonably been accomplished.

If an estimated claim was not submitted, interest accrual will not be paid beyond 150 calendar days from the payment due date. * * *

The Agency will notify the lender of any discrepancies in the final loss claim or, approve or reject the claim within 40 days. Failure to do so will result in additional interest being paid to the lender for the number of days over 40 taken to process the claim.

Interest accrual as part of a lender's final loss claim will never exceed 210 calendar days from the payment due date, plus any additional days over 40 calendar days that it took FSA *--to review the claim up to the date of disbursement.

Notes: For Chapter 11, 12, and 13 bankruptcies, if the bankruptcy is dismissed before liquidation, interest accrual may exceed 210 calendar days from the payment due date. During the bankruptcy, interest continues to accrue, but the days for calculating interest termination do not count against the lender, including cases where the lender did not have an estimated loss claim, because the lender does not have the authority to liquidate. In these cases, the authorized agency official shall document that interest accrual exceeded 210 calendar days because of bankruptcy, and any other supporting documentation, in GLS. National Office approval does not need to be requested.

For cases involving borrower-initiated litigation, interest accrual may exceed 210 calendar days from the payment due date. During the litigation, interest continues to accrue, but the days for calculating interest accrual termination will not count against the lender, including cases where the lender did not have an estimated loss claim, if the lender is unable to liquidate. In these cases, the authorized agency official shall document that interest accrual exceeded 210 calendar days because of litigation. See Exhibit 15.5 for examples.--*

FSA may pay a loss when a borrower sells security out of trust. If the borrower has converted loan security, the lender shall determine whether litigation is cost-effective. The lender must determine whether civil or criminal action is cost-effective and will be pursued. If the lender does not pursue the recovery, the reason must be documented when a loss claim is submitted. If recovery of converted security through legal action is possible, a lender may still submit a final loss claim and reimburse FSA according to subparagraph 362 A after proceeds are collected.

**363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors
(7 CFR 762.149(m)) (Continued)**

I Collections and Refunds

Amounts collected through administrative offset will be applied to the debtor’s account according to 3-FI using the Guaranteed Collection Codes in this table.

Code	Description
70	Administrative Offset – Other
71	Administrative Offset – DCP
72	Administrative Offset – LCP
73	Administrative Offset – CRP
74	Administrative Offset – EQIP
75	Administrative Offset – Tobacco
76	Administrative Offset – Peanuts
77	Administrative Offset – Rice
78	Administrative Offset – LDP/Markt Asst Loan
79	Administrative Offset – DCP in Stay
80	Voluntary Collection
81	DOJ Collection
82	Debt Settlement Collection
83	Other Collection

Notes: Collections will be applied to the oldest delinquent Federal debt first.
 aAccording to 58-FI, paragraph 164, delinquent debts due to FSA will be collected
 According to 58-FI, paragraph 164, delinquent debts due to FSA will be collected
 before an assignment is honored.

Lender recoveries, voluntary, and other collections, except IAO, DOJ, and Debt Settlements, for loans subject to offset with a debt offset receivable established, must have FSA-2254 *-completed manually and FAXed to NFAOC, Farm and Community Services Branch for--* processing. The collection will be processed as an offset collection.

Refunds of amounts offset will be made within 45 calendar days if FSA determines that an amount should not have been offset or that the debtor has prevailed in an appeal. SED shall *-approve and submit refund requests to NFAOC, Farm and Community Services Branch.--*

J Notifying Lender of FSA Collections

County Offices shall notify the lender of any collections received through IAO or TOP by November 30 of each year. The annual notification shall include the following:

- amount collected by loan number
- current balance of the Federal debt.

Note: County Offices can obtain account information from the GLS loan offset view screen.

**363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors
(7 CFR 762.149(m)) (Continued)**

K Debt Settlement

Once a final loss claim is paid, FSA will be able to consider settlement offers received directly from the debtor. Compromise and adjustment offers should be compared against other collection options available, such as IAO and TOP. The option that offers the greatest recovery to the Government should be pursued.

FSA shall process a compromise or adjustment offer according to RD Instruction 1956-B, section 1956.66.

The debt settlement will only cover the Federal debt owed by the debtor. FSA shall notify the lender of the approval of a debt settlement.

After all payments under the compromise or adjustment offer have been received, the remaining balance of the debt will be written off. SED shall FAX or mail a copy of RD 1956-1 along with a memorandum requesting that the debt be written off to NFAOC, Farm and Community Services Branch.

--Where it has been a minimum of 6 years since the last collection, FSA will cancel the debt without application according to RD Instruction 1956.70 (a), (b), or (c), as appropriate. SED shall FAX or mail a copy of FSA-2731 and FSA-2731A, if appropriate, along with a memorandum requesting that the debt be written off to NFAOC, Farm and Community Services Branch.--

L Bankruptcy Effect

FSA, subject to advice provided by the Regional OGC, will immediately file a proof of claim upon notification of a bankruptcy filing for any debtor subject to offset. At a minimum, the following shall be filed with the proof of claim as evidence of the debt:

- FSA-1980-25, FSA-1980-28, Application for Guarantee, or Preferred Lender Application
- FSA-1980-27 or Loan Guarantee
- copy of promissory note
- documentation of FSA's final loss claim payment to the lender.

Bankruptcy filing will halt any FSA offsetting actions. The debtor shall be removed from referral of IAO and TOP through the GLS maintenance screens.

Debts discharged in bankruptcy will be written off upon receipt of the discharge order. SED *--shall FAX or mail a copy of FSA-2731 and the discharge order along with a memorandum requesting that the debt be written off to NFAOC, Farm and Community Services Branch. GLS will have been updated earlier upon FSA notification of the bankruptcy action.--*

**363 Collecting Final Loss Claim Payments From Guaranteed Loan Debtors
(7 CFR 762.149(m)) (Continued)**

M Write Off of Debt When the Debtor Is Released From Liability by DAFLP

Debtors released from liability under subparagraph 361 C will have their outstanding debt written off. SED shall FAX or mail a copy of DAFLP approval along with a memorandum requesting that the debt be written off to NFAOC, Farm and Community Services Branch.

364 Release From Liability and Unauthorized Assistance

A Full Faith and Credit

An FSA guaranteed loan is supported by the full faith and credit of the U.S. (see 7 CFR 762.103). As a result, FSA has an obligation to ensure that the Government has not been defrauded by a lender, holder, and/or borrower when obtaining an FSA guaranteed loan. Fraud and misrepresentation by the lender or holder are the only circumstances under which FSA can completely deny liability on a guaranteed loan. Negligent servicing, by contrast, may result in a reduction of liability to the extent of the loss. In addition, the lender and/or holder may face fines and imprisonment under U.S.C. Title 18, Section 1014. Fraud and misrepresentation by the borrower or lender may also lead to criminal penalties under U.S.C. Title 18, Section 1001 that allows fines and/or imprisonment.

B Definitions (7 CFR 761.2(b))

The following definitions are applicable to this paragraph.

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

Example: Intentional altering of UCC1 to obtain an FSA guaranteed loan.

Inaccurate information is incorrect information provided by an applicant, borrower, lender, or other source without the intent of fraudulently obtaining benefits.

Example: The transposition of numbers in a financing statement or inventory list.

Unauthorized assistance is any loan, loan servicing action, lower interest rate, loan guarantee, or subsidy received by a borrower, or lender, for which the borrower or lender was not eligible, which was not made in accordance with all Agency procedures and requirements, or which the Agency obligated from the wrong appropriation or fund. Unauthorized assistance may result from borrower, lender, or Agency error.

364 Release From Liability and Unauthorized Assistance (Continued)**C Initial Determination That Unauthorized Assistance Was Received**

Unauthorized assistance may be identified through audits conducted by OIG, USDA reviews conducted by FSA personnel, information provided by a private citizen, or discovered in processing a loss claim. If FSA employees have reason to believe unauthorized assistance was received, the case will be referred to OIG or the National Office, as appropriate, for review and advice. In every case where it is known or believed by FSA that the assistance was based on false information, investigation by OIG will be requested.

If an FSA official suspects that unauthorized assistance has been received the issues must be documented in the case file. The authorized agency official will specifically state whether the unauthorized assistance was because of any of the following:

- submission of inaccurate information by the borrower and/or lender
- submission of false information by the borrower and/or lender
- submission of inaccurate or false information by another party on the borrower or lender's behalf such as the holder, a seller, developer, real estate broker, attorney, or appraiser when the borrower and/or lender did know the other party had submitted inaccurate or false information
- error by FSA personnel, either in making computations or failure to follow published regulations or other FSA issuance.

D Secondary Market Considerations

According to 7 CFR 762.103, and contained in subparagraph 19 D of this handbook, FSA must purchase the loan from the holder upon request if the lender refuses even if fraud, misrepresentation, or negligent servicing by the lender is suspected.

E Voluntary Cancellation by Lender When Fraud or Misrepresentation Occurs

A lender may request that FSA cancel an FSA-1980-27 or Loan Guarantee in circumstances where FSA intends to seek a denial of liability provided that the lender has not assigned or transferred the loan to another party. A lender cannot cancel an FSA-1980-27 or Loan Guarantee for a loan sold in the secondary market without the concurrence of the holder.

374 Agency Requirements (7 CFR 762.160) (Continued)

B Secondary Market LOC Requirements

LOC's may not be assigned. However, the lender may obtain funding for LOC's from other sources. The lender retains the note, the collateral securing the note, and all responsibility for loan serving and liquidation. The guarantee is applicable only to the primary lender.

C Transfer to the Secondary Market

Lenders generally market guaranteed loans to investors through an intermediary or directly to Farmer Mac.

Lenders are regularly contacted by and normally maintain a list of brokers or dealers interested in the purchase of FSA Guaranteed Loans. In an average transaction, lenders take the following steps to make a typical sale of a guaranteed loan on the secondary market.

*--

Step	Who	Action
1	Lender	<p>Contacts several brokers or Farmer Mac for bids on the loan. The brokers will need to know:</p> <ul style="list-style-type: none"> • loan amount and size of the guaranteed portion • coupon rate (variable or fixed) <p>Note: If variable, the broker will need to know the interest adjustment period.</p> <ul style="list-style-type: none"> • if it is a new loan, when the loan will be funded • maturity date • payment schedule.
2	Lender	Determines the loan servicing fee. Obtain a commitment on the loan servicing fee, usually ranging from 0.4 to 2 percent.
3	Lender	Selects a bid. Analyze all the offers, select the most appropriate, and contact the winning broker. Negotiations concerning premiums, fees, and additional payments for loans are to take place between the holder and the lender. The Agency will participate in these negotiations only as a provider of information.

--*

374 Agency Requirements (7 CFR 762.160) (Continued)

C Transfer to the Secondary Market (Continued)

*--

Step	Who	Action
4	Holder	Sends a purchase commitment letter or sales agreement to the lender.
5	Lender	<p>Closes the loan transaction and notifies FSA that the loan is being assigned. The lender forwards the following to FSA:</p> <ul style="list-style-type: none"> • copy of the signed commitment letter or sales agreement • original FSA-2242 with the lender’s signature. <p>These items are in addition to the other documents required for FSA to issue the Loan Guarantee.</p>
6	FSA	<p>Determines whether the loan is eligible to be sold. If eligible, FSA then verifies that the information on FSA-2242 is consistent with FSA-2235 and the promissory note.</p> <p>FSA will then digitally sign FSA-2242 and e-mail the encrypted FSA-2242 directly to the holder listed in item 3 and the lender. If the holder requests a hard copy, the authorized agency official will mail the hard copy directly to the holder along with a cover letter, including USDA letterhead as verification of the guarantee.</p>
7	Holder	<p>Executes FSA-2242 and retains FSA-2242 in their files along with FSA-2235. Copies of the executed FSA-2242 shall be forwarded to FSA and the lender according to the holder’s procedure. Some holders have electronic retention of documents available to lenders and do not return a hard copy of FSA-2242 to the lender or FSA.</p> <p>It is not necessary for FSA to have a hard copy of a fully executed FSA-2242, unless the holder has requested FSA to repurchase the loan.</p>
8	Holder	Wires the funds to the lender on the settlement date.

--*

Reports, Forms, Abbreviations, and Redelegations of Authority

Reports

This table lists the required reports in this handbook.

Report Control Number	Title	Reporting Period	Submission Date	Negative Report	Reference
RPT-1-00-FLP-09-2	SDA Loan Review Summary	Annually	October 31	Required	84

Forms

This table lists all forms referenced in this handbook.

Number	Title	Display Reference	Reference
AD-1026	Highly Erodible Land Conservation and Wetland Conservation Certification		66, 208
AD-3030	Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants		46, 245, 247
FmHA-449-34	Loan Note Guarantee		267, 281
FmHA-1980-64	Interest Assistance Agreement		224, 228, 230
FSA-1940-3	Request for Obligation of Funds Guaranteed Loans		226, 230
FSA-1980-25	Application for Guarantee		108, 285, 286, 360, 361, 363
FSA-1980-27	Loan Guarantee		364, 376
FSA-1980-28	Preferred Lender Application for Guarantee		108, 285, 360, 361, 363
FSA-1980-36	Assignment of Guarantee		375
FSA-1980-64	Interest Assistance Agreement		224, 228, 230
FSA-2028	Security Agreement		50, 280
FSA-2072	Cancellation of U.S. Treasury Check and/or Obligation		249

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

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2201	Lender's Agreement		Text
FSA-2203	Preferred Lender Sticker		53
FSA-2211	Application for Guarantee		Text
FSA-2212	Preferred Lender Application for Guarantee		Text
FSA-2221	Interest Assistance Agreement		Text
FSA-2222	Request for Interest Assistance Payment		228, 326
FSA-2231	Request for Obligation of Funds Guaranteed Loans		226, 230, 244
FSA-2232	Conditional Commitment		Text
FSA-2233	Lender Certification		247
FSA-2234	FSA Review of Lender's Evaluation of Collateral		247
FSA-2235	Loan Guarantee		Text
FSA-2236	Guaranteed Loan Closing Report		227, 247, 249, 286
FSA-2241	Guaranteed Farm Loan Status Report as of		250, 266, 355, 376, Ex. 12
FSA-2242	Assignment of Guarantee		373-375, Ex. 12
FSA-2243	Notice of Substitution of Lender (Transaction 4034)		287
FSA-2244	Guaranteed Loan Status Update Adjustment (Transaction 4048)		288
FSA-2245	Modification of Loan Guarantee		281, 313, 326, Ex. 12
FSA-2246	Notification of Transfer and Assumption of a Guaranteed Loan Transaction Code 4037		281
FSA-2247	Guaranteed Loan Borrower Adjustments		281, 284, 288
FSA-2248	Guaranteed Farm Loan Default Status Report		Text, Ex. 12
FSA-2249	Request for Restructuring Guaranteed Loans		313, 344

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

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2250	FSA Purchase of a Guaranteed Loan Portion		375
FSA-2251	Lender's Guaranteed Loan Payment to USDA		376
FSA-2252	Farm Loan Programs Guaranteed Writedown Worksheet		328, Ex. 12
FSA-2253	Shared Appreciation Agreement for Guaranteed Loans		181, 288, 328, 341, Ex. 12
FSA-2254	Guaranteed Loan Report of Loss		136, 288, 328, 342, 344, Part 14, 376, Ex. 12
FSA-2261	Report on Collection Activities on Liquidated Accounts		266, 362, Ex. 12
FSA-2262	Notice of Liquidation Responsibility		362
FSA-2291	Lender's Processing Checklist		65, 95
FSA-2292	Guaranteed Loan Processing Checklist		65
FSA-2293	Annual File Review Checklist for SEL and CLP Lenders		267
FSA-2294	Debt Writedown Review Checklist		329
FSA-2295	Guaranteed Estimated Loss Review Checklist for SEL and CLP Lenders		342, 359
FSA-2296	Guaranteed Loan Final Loss Review Checklist		360
FSA-2297	Lender Training and Collaboration Report		21
FSA-2731	Cancellation of Debt Without Application (RD-1956-1)		363
FSA-2731A	Cancellation of Debt Without Application (Continuation)		363
IRS-1099-C	Cancellation of Debt		362
IRS-8379	Injured Spouse Claim and Allocation		Ex. 17, 18
NRCS CPA-1155	Conservation Plan or Schedule of Operations		66
RD 1951-C-1	Notice of Intent to Collect by Administrative Offset		376
RD 1956-1	Application for Settlement of Indebtedness		363
RD-1980-64	Interest Assistance Agreement		224, 228, 230
UCC1	Financing Statement		364
W-2	Wage and Tax Statement		152

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

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
AASM	Application Authorization Security Management	73, Ex. 5
ACT	Consolidated Farm and Rural Development Act	1, 108, 286
ADPB	average daily principal balance	228, Ex. 10
CAFO	Concentrated Animal Feeding Operation	181, 358, Ex. 15
CL	conservation loan	Text, Ex. 2
CMS	Credit Management System	Text
EL	emergency livestock loan	108
EO	economic opportunity loan	108
FmHA	Farmers Home Administration	108, Part 9, Part 11, 360
GFO	guaranteed farm ownership loan	135
GLOC	guaranteed line of credit	108
GOL	guaranteed operation loan	135
IA	interest assistance	18, Parts 9, 11-15, Ex. 10
IAO	Internal Administrative Offset	363, Ex. 2, 17, 18
INA	Immigration and Nationality Act	Ex. 7
LIBOR	London Interbank Offered Rate	135
LINC	Lender Interactive Network Connection	73, 266, Ex. 5
LOC	line of credit	Text
NFAOC	National Finance and Accounting Operations Center	Text, Ex. 10, 21
NPO	nonprofit organization	111
PLP	Preferred Lender Program	Text, Ex. 12
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996	Ex. 7
SAA	Shared Appreciation Agreement	286, 288, Ex. 2
SBA	Small Business Administration	20, 21, Ex. 6
SDMS	State Directive Management System	84
SEL	Standard Eligible Lender	Text, Ex. 12
USCIS	U.S. Citizenship and Immigration Services	Ex. 7, 8

Re delegations of Authority

This table lists the redelegations of authority in this handbook.

Redelegation	Reference
Administering handbook provisions	20

Interagency Agreement (Continued)

*--

For FSA:

Craig Nehls
Deputy Director
Loan Servicing and Property Management Division
Farm Service Agency
1400 Independence Ave., SW
Stop 0523
Washington, DC 20250
Phone: 202-720-0628
Fax : 202-690-6797
E-mail: Craig.Nehls@wdc.usda.gov

For RD:

David Lewis
Branch Chief
Business and Industry Division (Servicing)
USDA, Rural Development
1400 Independence Ave., SW
MS 3224, Room 6859
Phone: 202-690-0797
Fax: 202-720-6003
E-mail: david.lewis@wdc.usda.gov

For FDIC:

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Dallas, TX 75201
Phone: 972-761-2223
E-mail: mspaid@fdic.gov

Pamela J. Chrystal
Resolutions and Receivership Specialist
Federal Deposit Insurance Corporation
1601 Bryan Street
Dallas, TX 75201
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E-mail: pchrystal@fdic.gov

Page 13

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***--Interagency Agreement (Continued)**

E-mail: wlake@fdic.gov

The POCs will facilitate communication between the two parties as necessary. All notices required under this IAA must be delivered to each POC.

VIII. INITIAL TERM OF IAA AND RENEWAL

This IAA will take effect at the time of execution by all parties and will remain in effect for three years from that date. Unless the IAA is renewed, FDIC may not sell or transfer USDA's interest in any FSA or RD Loan after the end of the three-year period. The parties may, before or after expiration of the IAA, agree in writing to renew the IAA with the same or modified terms and conditions for a maximum renewal term of three years. Expiration of this IAA will have no effect on the obligations of USDA or FDIC with respect to all FSA or RD Loans that FDIC administered, serviced, collected and/or sold prior to the expiration of this IAA.

No later than 180 days before the expiration of the initial term of this IAA, the parties will discuss renewal or modification of this IAA.

IX. AMENDMENTS AND MODIFICATIONS

USDA and FDIC may negotiate modifications to this IAA to clarify, expand or revise its terms. Any party may request negotiations to effect changes to this IAA. This IAA may be amended or modified only upon written mutual agreement of the parties.

X. RESOLUTION OF DISPUTES BETWEEN PARTIES

This IAA is for the purpose of improving the servicing process and disposition of USDA guaranteed loan portfolios under the supervision of FDIC. Nothing within this IAA alters the legal rights of either party pursuant to signed agreements between the FSA and any FSA Lender for which FDIC serves as Receiver. Nothing within this IAA alters the legal rights of either party pursuant to signed agreements between the RD and any RD Lender for which FDIC serves as Receiver. This IAA does not create any legal rights or obligations on the part of any third parties. FDIC and USDA shall attempt to resolve all disputes or disagreements regarding this IAA through the Points of Contact listed in Section VII.

XI. TERMINATION

USDA or FDIC may terminate this IAA on thirty (30) days written notice to the other parties. Termination will have no effect on the obligations of USDA or FDIC with respect to any FDIC Loan Sale that was approved prior to termination of this IAA.

XII. ASSIGNMENT

Interagency Agreement (Continued)

FEDERAL DEPOSIT INSURANCE CORPORATION

By Mitchell D. Dasoman

Title: Director, Division of Resolutions and Receiverships

Interagency Agreement (Continued)

*--

Extension of Interagency Agreement

Between Federal Deposit Insurance Corporation And United States Department of Agriculture

Whereas, the Federal Deposit Insurance Corporation (FDIC), 550 17th Street N.W., Washington, D.C. 20429, U.S.A and the United States Department of Agriculture (USDA), 1400 Independence Ave, SW Washington, DC 20250, U.S.A., hereinafter Parties, have previously entered into an Interagency Agreement (IAA) with regard to the administration, servicing, collection, and sale of loans or portions thereof, that are guaranteed by the USDA and are acquired by FDIC from a USDA lender; and,

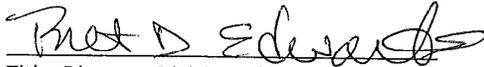
Whereas, the term of the IAA was for three years, beginning on January 12, 2011, and expiring three years later, and both Parties have expressed the desire to extend or renew the IAA as set forth therein.

Now, Therefore, the FDIC and USDA hereby agree to extend or renew the IAA for a three year period pursuant to the terms contained therein. Except as set forth in this Extension of IAA, all remaining terms and conditions of the IAA shall remain unchanged and in full force and effect.

This Extension of the IAA may be executed in counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument. This Extension of the IAA will be effective as of January 12, 2014, and will extend the termination date of the IAA until January 12, 2017, unless otherwise extended or terminated according to the terms of the IAA.

In Witness Whereof, each party hereto has caused this agreement to be duly executed on its behalf by its duly authorized agents

Federal Deposit Insurance Corporation



Title: Director, Division of Resolutions and Receiverships

6-3-15
Date

**United States Department of Agriculture by
Farm Service Agency**



Title: Administrator, Farm Service Agency

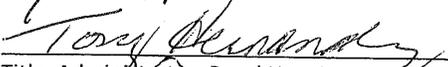
4/14/15
Date

**and
Rural Development**



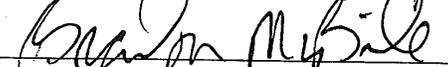
Title: Administrator, Rural Business-Cooperative Service

4/3/15
Date



Title: Administrator, Rural Housing Service

4-17-15
Date



Title: Administrator, Rural Utilities Service

4-23-15
Date

--*

*--Interagency Agreement (Continued)

EXHIBIT "A"

AUTHORIZATION AND CONSENT TO THE SALE OF LOANS
AND ASSIGNMENT OF PARTICIPATION INTEREST

This Authorization and Consent to the Sale of Loans (this "Agreement") is made this _____ day of _____, 20__ by and between the U.S. Department of Agriculture ("USDA") and the Federal Deposit Insurance Corporation (the "FDIC") as Receiver of _____ (name of failed financial institution, city and state).

RECITALS

A. _____ (name of failed financial institution, city and state) (the "Lender") originated and was the holder of an interest in each of the loans identified on Attachment I to this Agreement (the "Loans"), each of which Loans were previously guaranteed by Farm Service Agency (FSA) or Rural Development (RD), USDA pursuant to a Lender's Agreement executed by the Lender and Agency and a Loan Note Guarantee executed by the Agency.

B. The Lender was declared insolvent and FDIC was appointed as Receiver ("FDIC/Receiver"). FDIC/Receiver assumed all of Lender's rights, title, and interest in the Loans.

C. As a result of a default, USDA purchased the guaranteed portion from a secondary market investor or holder pursuant to the Loan Guarantee and acquired a participation interest in the Loans. FDIC/Receiver holds legal title to and a participation interest in the Loans. FDIC/Receiver is the Servicer of the Loans.

D. FDIC/Receiver wishes to include the Loans in several pools of loans ("Pool") in one of its upcoming loan sales ("Sale"), of which the Sale will involve the transfer of all legal rights, title, and interest in the Loans.

E. In order to facilitate the marketing and sale of the Loans, USDA wishes to transfer its participation interest in the Loans to FDIC/Receiver pursuant to the terms and conditions set forth in this Agreement so FDIC/Receiver will have all rights, title, and interest in the Loans at the time the transactions that constitute a Sale are consummated.

TERMS

1. When USDA holds a financial interest in the loan as a result of paying an estimated loss claim or purchasing the guaranteed portion from a secondary market investor, FDIC/Receiver promises to promptly remit to USDA its share of sale proceeds and other payments in accordance with Paragraphs 5 and 6. Therefore, USDA hereby assigns, transfers, sets over, and conveys to FDIC/Receiver all of FSA's and RD's participation interests in the Loans.

FDIC/USDA IAA-09-23-2010

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***--Loss Claims**

A Estimated Loss Claim Interest Accrual Examples

Lender submits estimated loss claim on day 90. FSA approves on day 140 after 20 calendar days of lender delay in providing FSA requested information. Lender receives 140 calendar days of interest. (Pay all within 150 calendar days.)

Lender submits estimated loss claim on day 140. FSA approves on day 190 after 30 calendar days of lender delay in providing FSA requested information. Lender receives 170 calendar days of interest accrual. ($190 - 20$ for lender delay = 170.)

Lender submits estimated loss claim with complete information on day 155. FSA approves on day 200. Lender receives 150 calendar days of interest accrual. (Claim submitted after 150 calendar days.)

Lender submits estimated loss claim on day 150. FSA approves on day 220, 40 calendar days after lender provides FSA requested complete and timely information. Lender receives 220 calendar days of interest accrual. (Lender gets 210 max interest + 10 for FSA delay over 30 = 220.)

Lender submits estimated loss claim on day 130. FSA timely approves on day 230 after 50 calendar days of lender delay in providing FSA requested information. Lender receives 170 calendar days of interest accrual. (Lender gets 210 max interest - 40 for lender delay = 170.)

Lender submits estimated loss claim on day 140. FSA approves on day 260, 50 calendar days after lender provides FSA requested complete information, but only after 40 calendar days of lender delay. Lender receives 230 calendar days of interest accrual. (Lender gets 210 max interest - 30 for lender delay = 180 max + 20 for FSA delay = 200.)

Lender submits estimated loss claim on day 130. FSA approves on day 320, 110 calendar days after lender provides FSA requested complete information, but only after 70 calendar days of lender delay. Lender receives 230 calendar days of interest accrual. (Lender gets 210 max interest - 60 for lender delay = 150 max + 80 for FSA delay = 230.)--*

***--Loss Claims (Continued)**

B Estimated Loss Claim Interest Accrual When Reorganization Bankruptcy Is Filed and Dismissed Examples

Lender submits estimated loss claim on day 110. FSA receives and reviews complete information on day 170 after a 50-calendar-day delay. Borrower files bankruptcy on day 190. Bankruptcy is dismissed on day 300. FSA approves lender-estimated loss claim on day 310. Lender receives 270 calendar days of interest accrual. (Lender gets 160 calendar days {170 + 20 + 10 for FSA processing outside of bankruptcy – 40 calendar days for lender delay} + 110 calendar days for bankruptcy deliberations = 270.)

Lender submits estimated loss claim on day 150. FSA receives and reviews complete lender information on day 240 after 60-calendar-day lender delay. Borrower files bankruptcy on day 250. Bankruptcy is dismissed on day 330. FSA approves estimated loss claim on day 360. Lender receives 250 calendar days of interest accrual. (Lender gets 210 max interest – 50 for lender delay = 160 + 80 for bankruptcy deliberations + 10 for FSA delay = 250.)

Lender begins liquidation and does not submit estimated loss claim. Borrower files bankruptcy on day 120. Bankruptcy is dismissed on day 200. Lender submits estimated loss claim with complete information on day 220. FSA approves loss claim on day 230. Lender receives 230 calendar days of interest accrual. (Lender gets 150 calendar days {120 + 20 + 10} + 80 for bankruptcy deliberations.)

Lender submits estimated loss claim with complete information on day 152. Borrower files bankruptcy on day 160. Bankruptcy plan is dismissed on day 250. FSA approves loss claim on day 300. Lender receives 240 calendar days of interest accrual. (Late loss claim limited to 150 calendar days of interest accrual + 90 calendar days for bankruptcy deliberations = 240.)

C Estimated Loss Claim With Borrower-Initiated Litigation Example

Lender files estimated loss claim on day 110. On day 160, after 30-calendar-day delay, lender provides complete information to FSA. Borrower files suit on day 170. Suit is dismissed on day 270. FSA approves estimated claim on day 290. Lender receives 270 calendar days of interest accrual. (Lender gets 170 {160 + 10 + 20 – 20 for lender delay} + 100 calendar days for litigation deliberations.)

D Estimated Loss Claim Post Reorganization Bankruptcy Plan Completion

Handled the same as any other liquidation.

Note: Principle and interest begins with balances at bankruptcy plan completion date.--*

***--Loss Claims (Continued)**

E Final Loss Claim Interest Accrual Examples

Lender submits final loss claim with interest accruing through 155 calendar days. Estimated loss claim was approved by FSA on day 150 and lender was paid for 150 calendar days of interest accrual on day 155. Lender may receive 5 additional calendar days of interest accrual on the final loss claim based upon the interest accrual rate submitted with the estimated loss claim.

Lender submits final loss claim with interest accruing through 140 calendar days, after having an estimated loss timely submitted and timely approved by FSA. FSA approves estimated loss claim on day 140 and lender was paid on day 143. FSA approves the final loss claim 60 calendar days after receiving complete lender information on the final loss claim. Lender receives 20 calendar days of additional interest for FSA delay. Lender also may receive 3 additional days of interest accrual on the final loss claim, if they claim it and those 3 interest days will be based upon the interest accrual rate submitted with the estimated loss claim.

F Final Loss Claim Interest Accrual When Reorganization Bankruptcy Is Filed and Dismissed (Estimated Loss Previously Paid)

The claim should include the entire debt and interest accrual to date of the claim. Subtract out the previous estimated loss payment plus the interest that accrued between the first estimated payment and the bankruptcy filing, and subtract interest accrual between the bankruptcy dismissal date and the final loss claim date.

Example: Lender files estimated loss claim on day 100. Information is complete. FSA approves estimated loss claim on day 125. Lender receives payment on day 128. Borrower files chapter 12 bankruptcy on day 130. Bankruptcy is dismissed on day 310. Lender submits final loss claim on day 400. FSA approves final loss claim on day 440. Lender receives 308 calendar days of interest accrual. (Lender gets 128 {100 + 28} + 180 for bankruptcy deliberations.) FSA approves final within 40 calendar days. Any days over 40 for FSA would have been required to pay additional interest payment for those days. Final loss calculation will subtract out estimated loss payment accounting for 125 calendar days of interest the lender has already been paid.--*

***--Loss Claims (Continued)**

G Final Loss Claim Interest Accrual With Borrower-Initiated Litigation (Estimated Loss Previously Paid)

The claim should include the entire debt and interest accrual to date of the claim. Subtract out the previous estimated loss payment plus the interest that accrued between the first estimated payment and the litigation filing date, and subtract interest accrual from the order ending litigation and the final loss claim date.

Example: Lender files estimated loss claim on day 130. Information is complete. FSA approves loss claim on day 160. Lender receives payment on day 170. Borrower files lawsuit on day 200. Lawsuit is dismissed on day 300. Lender completes liquidation and submits final loss claim on day 350. FSA approves final loss claim on day 400. Lender receives 280 calendar days of interest accrual. (Lender gets 170 {130 + 40} + 100 for litigation deliberations + 10 calendar days for FSA processing over 40 calendar days). Final loss calculation will subtract out estimated loss payment accounting for 160 calendar days of interest the lender has already been paid.

H Final Loss Claim Post Reorganization Bankruptcy Plan Completion

Handled the same as any other liquidation.

Note: Principle and interest begins with balances at bankruptcy plan completion date.--*