

hello everyone and welcome to the second half of the training my name is Casey Toyne and I'm a farm loan specialist out of our state office in Bozeman during this half of the training we're going to be covering covid19 temporary guidance updates on the American Rescue Plan act guaranteed loan servicing both regular and special to include bankruptcy and loss claims get right into it with the covid19 temporary guidance this is guidance that our national office put out in an effort to help alleviate difficulties that were caused by the pandemic one of the changes that they made is if a lender is not able to provide a complete application within normal time frames because of reasons outside of their control caused by the pandemic we can grant extensions

normally when we determine an application to be incomplete we send you a letter and give you 15 calendar days in which to provide the additional information or documentation and this allows us in in circumstances caused by the pandemic outside your control to grant you additional days to get us that information so we don't withdraw end up withdrawing the application extensions were also granted under this temporary guidance on conditional commitments now if you recall unconditional commitments we give you so many days in which to close the loan and report back to us that the loan is closed so now if you're unable to close alone timely due to restrictions caused by the pandemic we can

grant extensions in those cases as well just keep in mind this is on a case-by-case basis it's not automatic you need to be communicating with the FSA let us know what's going on why it's what's being held up and why and we may be able to grant you an extension

something else the national office relaxed was for annual lines of credit or emergency advances on lines of credit sel lenders typically have

normally required to get agency concurrence before advancing on annual lines of credit for the next operating cycle that requirement has been waived sel lenders may now sell certify that they meet the requirements in subparagraph 265 b and 265 c and then for emergency advances on lines of credit for sel and clp lenders those lenders can now sell certified that they meet the conditions according to 2flp so paragraph 2 283 a for emergency advances now what i would say is that you guys need to be sure if you're not getting FSA concurrence or approval that you meet these requirements if there's any question i would go ahead and ask the county office that you're working with because if there is a loss claim and the loss can be tied back to an advance that shouldn't have occurred because it didn't meet the requirements it could potentially result in the reduction of your lost chromium so just be sure that the requirements are met and if you have any questions be sure and contact the county office to make sure a couple other big changes during the covet pandemic is sel and clp lenders can now make non-guaranteed loans to existing guaranteed loan borrowers without getting FSA approval and writing you just have to certify to FSA that you have a feasible cash flow projection that's been developed now this doesn't apply to the sba paycheck protection program because feasible cash flow is not required for that program so you can do ppp loans

without FSA's consent also we usually review a portion of your portfolio annually and that requirement for the annual lender review is being waived until further notice during this covered pandemic another temporary change is the FSA now offers the option of a full year payment deferral we previously offered 180-day temporary payment deferral without meeting the feasible plan requirement because it was the agency's opinion that borrowers would be able to return to normal production pain resumption as soon as the covered 19 emergency passed now that the pandemic has stretched well beyond what we initially thought it was going to be we're offering a full year payment deferral all guaranteed lenders should have received an exhibit Is 13 which was a deferral options letter to guaranteed lenders that provided eligibility requirements and authorized lenders to defer payments without a feasible plan project projection

lenders are authorized to defer payments temporarily up to 180 days or defer a full annual payment 12 months if on a monthly payment schedule and amortize it over the remaining term of the loan or have it all due at loan maturity you'll want to keep in mind that you're required or you must notify the agency in writing of any deferral action or payment forbearance granted as a result of covered 19. you also need to certify that the temporary action is necessary due to circumstances caused by covid19 and the documentation requirements of two 2flp subparagraph 327c are waived only in cases where the deferral is necessary due to covid19

another temporary change due to covid is the extension of due dates for foreclosures and liquidation for loss claim purposes you have a timeline based off a payment due date which affects interest reimbursement which we'll discuss in more detail later the temporary change allows for a payment due date to be extended up to 90 days effectively giving you up to an additional 90 days of interest accrual that you can be reimbursed for on any loss claim if the foreclosure or liquidation is being delayed by covered 19. again you're going to want to document that the covered related circumstances are or what they are and communicate with the county office if you want to take advantage of this change we figured we should give you a quick update on the status of the American Rescue Plan act or ARPA I'm sure everybody listening to this is fully aware of ARPA and what it is but in case there's somebody who's not the American Rescue Plan act section 1005 includes provisions for USDA to pay up to 120 of loan balances as of January 1st 2021 for FSA direct and guaranteed loans and farm storage facility loans to any socially disadvantaged producer who has a qualifying loan with FSA this program is currently on hold due to multiple lawsuits have been filed across the country we don't know when the lawsuits will be resolved or if the outcomes are going to allow us to move forward with this program what we are doing is continuing to process applications but no payments are being made per court orders so that's kind of where that program stands right now

shortly after that program or that law was passed guaranteed lenders were asked to suspend all adverse actions on ARPA-eligible borrowers until FSA had established a process to carry out payments under section 1005 now this is still encouraged but lenders can opt to proceed with loan

liquidation so long as liquidation plans are submitted to FSA for approval plp lenders who are not required to submit written liquidation plans according to their cms will also need to submit liquidation plans for ARPA eligible borrowers for FSA to review and as part of the review we're going to assess if the guaranteed delinquency can be resolved through FSA direct loan assistance again i want to emphasize that those covered 19 updates are temporary um they're likely to be in place so long as the pandemic is ongoing but if you want to take advantage of those changes and be sure and communicate with the county office to make sure those changes are still in place before just going ahead um that covers the covered 19 temporary updates next we're going to be moving into guaranteed loan servicing with regard to guaranteed loan servicing the first thing our first items we're going to discuss are regular servicing items which includes the requirement for a lender's annual analysis the amount of the analysis you are expected to do each year with your guaranteed borrowers depends upon your lender status so whether your sel clp or plp and the type of loans and security as i mentioned in my previous slide the amount of flexibility you're given for an annual analysis is going to be dependent on your lender type but an annual analysis is required for all borrowers with term loans greater than 100 000 all line of credit loans for borrowers with an outstanding loan balance for existing term loans if it's a hundred thousand or less for sel clp and mlp lenders an annual analysis is required when the loan is passed due by more than 30 days a current balance sheet indicates financial deterioration including reduction collateral and or values or when a credit report indicates an increase in use of credit increase in late pays or reports of collection activity results in a decrease in credit score

this slide just as a reminder for sel and mlp lenders that of what your analysis should include for real estate and chattel secured loans this slide covers the documentation that's required to be submitted for an annual analysis to FSA for sel and mlp type lenders for if your sel or mlp what you do for annual analysis and then what you submit to FSA are very similar you're going to have to submit most of your documentation and these documents should be submitted to the authorized agency official within 30 calendar days of the completion of the annual financial analysis if you're talking a terminal loan you'll need to submit a balance sheet farm visit report income and expense statement and narrative summary of the borrower's financial progress for a line of credit you're going to be submitting a balance sheet farm visit report income and expense statement projected cash flow and narrative summary of the borrower's financial progress and FSA must approve advancing on all guaranteed lines of credit

for guaranteed for the submission requirement requirements are a balance sheet farm visit report income and expense statement and narrative summary of the borrower's financial progress from previous year only if the loan is secured by chattles

on the clp lenders as you can see from this slide for those of you that are clp lenders you have a little extra flexibility in what you do for analysis as compared to sel or mlp lenders for clp lenders annual analysis documents that have to be submitted to FSA and again this is within that 30-day

timeline that i mentioned for sells if you're talking a real estate loan you're going to have to submit either a summary of the lender's analysis or summary of why financial strengths make analysis unnecessary for term chattels either a summary of the lender's analysis or summary as to why the financial strengths makes analysis unnecessary and for line of credit certification that the cash flow was obtained that borrower is in compliance with lender's agreement previous year's income loan funds and security proceeds are accounted for

as i mentioned earlier plp lenders have maximum flexibility with regard to annual analysis it's going to be based on your credit management system and generally nothing's required to be submitted to FSA with for an annual analysis now if you're a loan officer for a plp lender and you don't have a copy of the credit credit management system for your bank you need to get a copy of that because that is your guidance as to how you are going to conduct yourselves with regard to the guaranteed loan program and that's what you're going to be held to as far as servicing requirements guaranteed and that will affect guaranteed loss claims so on and so forth so please if you're a loan officer for a plp lender be sure and get a copy of that credit management system and learn it during the next several slides we're going to talk about general servicing responsibilities with regard to guaranteed loans

it's really important that you probably pay attention these slides because these are really what you're going to need to do to protect your guarantee generally if you service the loans as you do other loans in your portfolio and it's in a reasonable and prudent manner then you shouldn't have any issues however you know within the guaranteed loan program we do have some rules and regulations that you need to follow so you need to pay attention because if you don't service them as required and we determine your servicing to be negligent it could potentially result in a reduction or in extenuating circumstances a termination of a guarantee

so the items on this slide may seem quite obvious as things that need to be done for proper servicing but you would be surprised at how often we have lost claims in which these things weren't tracked or done properly so number one ensure sale proceeds or other collateral dispositions are accounted for ensuring the proceeds are applied in accordance with loan position or used to replace for replacement of security or collateral and then finally ensuring loan collateral are protected when we get into foreclosure bankruptcy those types of things

if you have a borrower a guaranteed borrower that you're wanting to make non-guaranteed loans to if you're an sel or clp lender you're required to have FSA concurrence in order to make those non-guaranteed loans plp lenders this is going to be according to your credit management system so you want to refer back to it if you're looking at making a non-guaranteed loan but just keep in mind we don't give priority in a loss to non-guaranteed loans that were not concurred with by FSA so keep that in mind guaranteed loans have regular reporting requirements there's a semi-annual requirement which is march 31st and september 30th of each year in which your case you're

supposed to be required to submit a status report and also once an account is 60 days past due there's default status reports that are due every 60 days until the default is cured through restructure or through liquidation this is kind of a neglected aspect of servicing to some degree it's important that you provide these reports timely if you fail to do so and do it routinely it could ultimately result in termination of the guarantee so these reports are important this handy table can be found in the 2flp handbook under subparagraph 300a on page 12-1 and what it represents is the timeline for servicing delinquent loans and the required lender actions for restructuring guaranteed loans that you need to follow as i mentioned earlier the tracking is based off the payment date of the loan or payment due date of the loan so within 30 days of that payment due date you need to notify FSA using FSA form 2248 that the borrower is in default and then within 45 days of that payment due date you need to try and hold a meeting with the borrower and if possible include FSA servicing official in that meeting now if you attempt to hold the meeting and if after 60 calendar days a delinquent borrower doesn't respond to your request for a meeting or refuses to discuss any sort of resolution of the default you should take actions to protect the security interest and proceed with liquidation of the loan according to procedure

this slide outlines the possible solutions to cure a deep alone default for guaranteed loans

one of the items temporary loan to bring the loan current if you're going to consider that option it's going to need normal concurrence according to lender type so keep that in mind one thing you're required to do is document the interest assistance was considered and ruled out as an option to correct a default um you document the interest assistance consideration on the first FSA 2248 submit to FSA notifying us of the default and you do so by checking item 14a on the 2248.

right now there's no funding for the interest assistance program so additional documentation for this is not needed for those of you who are wondering what interest assistance is hasn't been funded for quite a while now but it was a program FSA had for guaranteed loans in which a lender could charge an interest rate but FSA would effectively cover four percent of that interest rate so the borrower could effectively have a lower interest rate and make it more likely for their operation to cash flow but that program like i said hasn't been funded for a while and as you may recall from earlier 60 days after the interest assistance determination is the earliest date that the lender can initiate foreclosure action foreclosure action for our purposes is

when you initiate the foreclosure filing in court and this date is tracked in our gls reporting system

within 120 days of the payment due date you guys need to be deciding whether you want to restructure the account or move towards liquidation and again i want to remind you that you know the FSA 2248 default status report needs to be submitted every 60 days after initial form has been mailed so you'll be submitting that form to FSA multiple times during this period and on that form

you should be keeping providing information on what you guys are are doing and the status of the account

we've seen some improper consolidations of debt occur over the past year so we thought it'd be a good idea to add a couple slides on it to this year's training so in order to consolidate loans a feasible plan needs to be projected following the consolidation and if keep in mind that if loans are only being consolidated and the action is not accompanied by a restructure then capitalization of interest isn't allowed also existing lines of credit can only be consolidated with a new line of credit if their maturity date and conditions for advances on the new line of credit are the same as the existing line of credit

with the consolidation a new note or line of credit agreement will be taken and the new note or line of credit agreement needs to describe the no or line of credit agreement being consolidated and must state that the indebtedness evidenced by the node or line of credit agreement is not satisfied and the original note or line of credit agreement must be retained

if there are any holders of the guarantee they must consent to the consolidation or the guaranteed portion must be repurchased by you as the lender

um for sel lenders FSA must approve of an seo request for consolidation and seo lenders must submit a feasible plan to FSA for concurrence before consolidating the loans for plp or clp lenders that consolidate loans you need to provide copies of documents to FSA and FSA will review compliance with regulations through annual file reviews

ols are really the only type of loans that can be consolidated but even within this type ols may not be consolidated with ol llcs even if the llc has been rescheduled and although ols may be consolidated with ols and ollocs may be consolidated with oil llcs if they are secured by real estate they may not be consolidated and this slide outlines some other less common conditions that would prevent loans from being consolidated so let's talk a little bit more about restructuring so the first thing i'd say is we encourage you to be proactive so if at all possible get things going before the borrower becomes delinquent if you know they aren't going to make their payment for any restructuring action FSA prior concurrence is required if you're a sel lender if you're a clp lender you need to certify that you follow FSA requirements and provide a post restructuring report on what you've done along with a final default status report showing the account is current and the restructured note

plp lenders you guys are going to be following your cms and provide a post restructuring report to FSA along with a final default status report showing the count is current and the restructured note

if you're talking a guaranteed line of credit that's been restructured restructured that once it's been restructured it's no longer a line of credit so there's no more advances allowed on it and it basically becomes like a term loan at that point so it's no longer effectively a line of credit if you are considering doing a balloon payment there's a lot of requirements for that so i encourage you to contact your local FSA office for different additional information if that's being considered as a possible option so i don't have a whole lot to add from what's already covered on this slide just keep these requirements in mind with regard to security under a guaranteed loan restructure with regard to a guaranteed loan restructure if you sold the guarantee on the secondary market the holder of the guarantee must agree to the changes in the original loan terms you as a lender will need to determine whether to repurchase the guarantee if it was sold and holders can ask lenders to repurchase the guarantee 60 calendar days after the missed payment date and lenders are encouraged to repurchase the guarantee when asked to by the holder

there's reference there to two flp per subparagraph 313 a through c for specific lender requirements for restructure and 2flp paragraph 314 a through b for FSA response to request for restructure so i encourage you to pull off that 2flp handbook and look at those paragraphs

with regard to terms allowed by a restructure if you're talking an fo loan it's a period not to exceed 40 years from the date of the note and that's date of the original note if you're talking an ol loan you can go up to 15 years from the date of the rescheduling and for a line of credit you can exceed seven years from the date of the rescheduling or ten years from the date of the original note whichever is less and once again i want to reiterate that advances cannot be made against a line of credit loan that has any portion of the loan rescheduled

deferrals and write downs so we can do deferrals up to five years if it makes sense to do so although in most cases i probably wouldn't recommend it as far as conditions that apply to deferrals

one thing to keep in mind with regard to that five years the loan may not be extended beyond the final due date of the note so that is a limit on that extension the principal portion of the payment may be deferred either in whole or in part interest may differ be deferred only in part payment of a reasonable portion of the current interest based on the borrower's cash flow projections is required if you're talking a multi-year deferral and there must be a reasonable prospect that the borrower is going to be able to resume full payments at the end of the deferral period

for write-downs they need to be in the best financial interest of the government and use the lender so in other words it needs to be cheaper to do a write down than to foreclose

and you don't have to consider this option if you don't want to it's available but if you don't want to consider it as a lender you don't have to if there is a write down you know there is a loss claim that is paid it's a special type of loss claim where the written down debt doesn't become a delinquent federal debt that's subject to federal offsets of the borrower's income

if you are considering a write down you need to work closely with your local FSA office because there's a lot of rules to it and it's quite a project so keep that in mind this slide summarizes restructuring requirements with regard to eligibility the delinquency on federal debt and prior loss of the government requirement are waived for the eligibility rules sel lenders you're going to need to submit copies of all this stuff to FSA if you're a clp lender you're going to need to certify that the information is in your file and give a narrative explaining the circumstances surrounding the need for the restructuring and if you're a plp lender you're just going to be following your credit management system as to how you're going to go about this one eligibility require criteria is that the borrower is still farming or opera you know farming operating he still needs to be doing that in order to be eligible for the restructuring and as far as appraisals go they generally aren't needed except for in case of write down

as we covered earlier if you're an sel lender you're going to need prior concurrence from FSA for all restructuring if you're clp and plp lenders you're only going to need prior concurrence if there's a write down involved

if you're an sel lender and your proposal for servicing isn't agreed to by FSA the agency approval official should notify you the applicant in writing with a copy to the lender within 14 calendar days of the lender's request and what the letter will do is inform the lender and the borrower of their informal review mediation appeal rights according to our appeal procedures for clp or plp lenders the authorized agency official is going to review the loan restructuring documents and FSA 2248 according to procedure and confirm that the restructuring actions did not violate violate any FSA regulations and if the authorized agency official has any concerns about the restructuring of the loan then they're going to contact you as a lender to discuss the concerns

so here are actions that need to be performed following the restructuring you'll need to submit information according to your lender type along with the modified note or launch that changes the original note submit that stuff to FSA now don't forget you also need to submit FSA 2248 stating that the loan is current that's the default status report the final report will be stating that the loan has been brought current

keep in mind you don't want to break the chain between the original note and the modified note so the new loan needs to reference the old one to keep that guarantee valid the form 2245

modification a guarantee FSA completes this form and will provide use the lender a copy you need to be sure you attach the modification to the original guarantee form

here's a quick summary of the steps in liquidation

with regard to appraisals they need to be current which means within 12 months

in when you're in liquidation mode no in-house appraisals are allowed they all have to be independent appraisal reports and you can charge that cost to the borrower's account and it is reimbursable reimbursable costs through the loss claim process

the appraisal requirement may be weighed by the agency when the bankruptcy trustee is handling a liquidation lender has submitted the trustee's determination of value or when the lender's proposed method of liquidation rarely results in receipt of less than the market value for livestock and used equipment or when a purchase offer has already been received for more than the debt mediation must be offered

acceleration of the account you need to demand the payment in full and FSA expects you will give the borrower 30 days to pay up

liquidation plan to FSA we'll cover that in more detail later in this presentation we'll also look at loss claims in a little more detail

liquidation is either going to be obviously voluntary or forced but sheriff's sale or court action and when all security is gone you'll send FSA a final loss claim to settle everything and if FSA overpaid with the estimated loss claim you're also going to send a check reimbursing for the overpayment plus accrued interest and just keep in mind on any estimated loss claim overpayment uh what you all back is principal plus interest accrual at the note rate so whatever note rate rate you're charging the borrower from the date of payment of the estimated claim and then we're going to cover future future recovery collections from wages and things like that a little later

again for loan liquidation purposes we're going to be tracking from the payment due date there's a nice table that lays out the timeline for liquidation in paragraph 355a of handbook 2flp please reference that table because it is quite helpful but the gist of it is with 120 within 120 days of the payment due date you need to be accelerating the account and notifying the borrower

so it's more on liquidation I'm going to do a quick rundown of the timeline for everything so 60 calendar days after the the payment due date is the earliest date that you can file to liquidate the security keeping in mind uh the consideration of interest assistance to a system carrying the default which we talked about earlier in the presentation which interest assistance isn't available right now so that determination is recorded on the first 2248 the first default status report 90 days is when you need to give notice to the borrower and accelerate the loan or implement implement a loan restructuring plan 120 days you need to make a decision on whether the count is going to be restructured or liquidated 150 calendar days you need to be submitting a liquidation plan to FSA as well as an estimated loss claim submitting those to FSA by day 164 any estimated protected advances must be concurred with by FSA by day 170 a liquidation plan needs to be approved by FSA by day 180 an estimated loss claim um submitted FSA we try and get approved by day 180 by day 260 liquidation should be completed by day 290 a final loss claim should be submitted and by day 330 FSA should approve a request modification of a final loss claim

we have 40 calendar days after submission of a final loss claim to approve or request modification so

upon receipt of a liquidation plan FSA we have 20 calendar days to respond in writing either granting approval of the plan or requesting modification of the plan

your liquidation plan must be submitted to the authorized agency official and the authorized agency official will receive the plan and notify you in writing of the decision to approve a request modification of the plan

montana exhibits 140 and 141 are included in handouts so you can review them for your information

some of these items i already covered but some things to keep in mind so on a loss claim we're not going to pay interest beyond 210 calendar days from the payment due date in most circumstances so if you're stretching out the liquidation you're going to be accruing interest for which you're not going to be reimbursed so it's important to try and keep things clipping along timely to maximize your reimbursement on any loss claim a liquidation plan is required in all cases including if the borrower is liquidating voluntarily no loss is expected or all security has been stolen sold you still need to submit an estimated loss claim

and even if no loss is expected

we're going to shift gears a little bit now to talk about emergency advances now an emergency advance is an increase to a line of credit when the line of credit is at its ceiling could also be an annual operating loan as well that we could do an emergency advance on in order to do an emergency advance the financial benefit needs to exceed that of the advance a loss of crop or livestock needs to be imminent if you're an sel or a clp lender you're going to need prior written consent if you're a plp lender it's going to be per your credit management system your cms and the farming operation must be viable

additionally emergency advances are still subject to the statutory loan limits or the total amount of borrowers outstanding farm loan program debt and you don't see these a lot but most commonly you're going to see these done in mid to late summer before harvested crops are available

i don't have much to say to add to this slide one thing this slide and most of this is covered in the previous slide but

the loan it does point out that the loan funds to be advanced need to be for authorized purposes

when circumstances are right you also have the option of protective advances you're going to be billing those to existing note they're going to be done to preserve collect protect collateral from loss or deterioration and you're only going to be doing protective advances when the borrower is in liquidation or liquidation is imminent or title to real property has been taken

you need to demonstrate that the advances in the best interests for you as a lender as well as the government if you're an sel lender you need prior consent for FSA if the amount is over three thousand dollars if you're a clp lender uh you need prior consent from FSA if the amount is over five thousand dollars and if you're a plp lender it's going to be per your cms or it's going to be five thousand dollars if not addressed in the cms

these can be done for any type of guaranteed loan and basically it means you have a problem account because once you make a protective advance the loan is immediately going to be declared delinquent again this is uh just a summary of what a protective advance is kind of reiterating some of the information on the previous slide

whether we're talking a delinquent account liquidation or bankruptcy communication is key consistent and timely communication with FSA and document document document everything as much as possible to protect your guarantee and keep FSA informed and if you want to consult with FSA we're always happy to do so

so when with regard to loss claims we do want to pay a loss claim in full we don't like to reduce a loss claim for you guys but you know what it boils down to is our regulations decide what we can and can't allow and loss claims are often reviewed by our national office um and these you know aren't unconditional guarantees there are strings tied to them and conditions that need to be met so on the following slides we're going to kind of go over the problems and reasons or common problems and reasons for deductions and a loss claim or possible denial of a loss claim

one thing applying proceeds to non-guaranteed debt often the lender will have guaranteed and non-guaranteed loans and the account is liquidated or goes to bankruptcy and it's a pretty common deduction deduction is when the lender uses proceeds from collateral to pay the non-guaranteed note when the guaranteed notes have a prior lien and payment priority

keep in mind the time frames we discussed earlier deviation from those time frames is possible but you need to document why and you also have to keep in mind that interest accrual eligible for reimbursement is limited to 210 days if your estimated loss claim is submitted timely if the estimated loss claim is not submitted timely within 150 days of payment due date then you're limited to 150 days of eligible uh interest accrual that can be reimbursed now one caveat to this or one exception to this i should say is if you enter bankruptcy because bankruptcy kind of suspends a lot of actions you are eligible for interest accrual that occurs while the the borrower is in bankruptcy and as i discussed previously when a loan is being liquidated or in bankruptcy you're going to need to have current appraisals there are exceptions which i also covered earlier for example if the collateral is going to be sold at a public auction then you wouldn't necessarily need to have an appraisal

accounting for security you need to make sure you or maybe an appraiser working for the bank sees the collateral and counts the livestock not only before the loan is made but during the loan we need to be keeping track of those things um you need to document what what was sold and quantity sold and what the proceeds were and how they were dispersed especially if we're talking lines of credit in which we have crops calves etc

for lionic lines of credit you need crop insurance you need at least have catastrophic level insurance for non-triple crops FSA has the the nap program and a failure to have crop insurance

can likely result in a reduction in the loss claim when it when insurance is available um you also need to be careful regarding the releases of collateral

it's a good idea to get FSA concurrence even if we're talking a non-guaranteed loan uh getting concurrence because if we can trace back a loss to security that was released that shouldn't have been that could be deducted from the loss claim

a lender you as a lender can charge default interest and late fees go ahead if you can think you can collect it however those fees and costs can't be claimed in a loss claim request so they're going to be deducted from the claim amount something that's often overlooked that can affect a loss claim is FSA 2232 or the conditional commitment so if you recall whenever FSA approves placing a guarantee on a loan we issue FSA 2232 to you as a lender outlining the terms and conditions for us to place the guarantee and if those aren't adhered to and they have an effect on a loss claim then it could result in a reduction in that loss claim

also you need to be watching your advances make sure you're not going over your ceiling and you need to be documenting what those advances are for all that needs so in a line of credit especially every time you need to make you make an advance you need to be documenting what those funds being advanced are going to be used for because it needs to be for authorized loan purposes if not it could be reduced from the lost claim so this slide reiterates several of the points that we already covered in previous slides documentation is key thorough documentation can help a lot alleviate a lot of headache along with regular communication with FSA and then you need to be making sure you're doing stuff that's kind of common sense like not advancing funds for unauthorized purposes or switching between loan types and things like that

here's a little more banker humor

so guarantees terminate when loans are paid in full when you as a lender request that the guarantee be cancelled so you can decide you no longer need the guarantee or when a final loss claim is paid one thing you need to do is make sure you're holding on to the original guarantee that we issue you that guarantee form and once the guarantee terminates you need to return it marked paid to return it to FSA and what we suggest is that you attach that guarantee to the front of the original promissory note so you don't lose it so you may be thinking that after a final loss claiming play is paid that's end of it you're done right well not quite a loss claim is actually a transaction between you as the lender and farm service agency it's not a transaction between you as the lender and the borrower a loss claim doesn't get applied to a borrower's debt that debt remains um and it once we pay a final loss claim it costs that amount whatever we pay constitutes a federal debt that the borrower owes

additionally your lender agreement requires you not to release a borrower from liability without FSA approval according to the debt collection improvement act of 1996 only FSA can release borrowers

from the lost claim debt this also applies to cosigners or co-borrowers so all parties so all the borrowers the primary borrower co-signers or co-borrowers can apply for a debt settlement

they all have to agree to it and our state executive director can approve that settlement if we believe is adequate now after six years with no collections it's likely that we're going to cancel the debt as uncollectible and issue at 10.99 for you guys lenders three years is what we ask for you to try and collect any additional monies that you can and then after that you'll issue after the three years you'll issue a 10.99 just on your 10 percent that we didn't cover in the loss claim and during that three years you're going to be required to report collections on FSA form 2261.

so this slide just reiterates that you as the lender cannot release the borrower from liability without FSA's consent something I should have covered in the previous slide uh what will happen is in late October of each year FSA is going to forward FSA 2261 which is your annual report for collections um on your ten percent it'll be sent with instructions to you as the lender um

and it's going to be sent to any lenders who have received a loss claim because of liquidation in the prior three years that FSA 2261 is what is required to be completed by you as the lender and returned back to FSA by November 30th

the other thing is

when you have a lender that has become delinquent a conversation you need to try and have with them up front is to make them aware of the procedure that we've covered in these slides

making them aware that you know if we pay a loss claim it's going to constitute a federal debt to them once the final loss claim is played

and make them aware that they can try and do a debt settlement agreement prior to the final loss payment being made that is an option if we do agree to a debt settlement and so that we don't have to go through the debt collection process it just kind of makes it easier for everybody the loss less paperwork a lot less headache so I encourage you guys to as much as possible make the borrowers a wire and encourage them to cooperate in order to minimize any loss that may occur

so next we're going to talk about bankruptcy when we're talking guaranteeing loans and bankruptcy largely it's going to be you as the lender show especially if FSA doesn't have any direct loans with the borrower so you're going to be responsible for protecting the security and the debt as you would

any non-guaranteed loan we do expect you to keep FSA informed uh keep those communications going and get concurrence when you need to now there are some instances when an estimated loss claim was paid prior to the borrower filing bankruptcy you know maybe we didn't know that the buyer was or was going to file bankruptcy or you want to get that estimated out there within the 150-day requirement to maximize your reimbursement if that happens and the borrower enters a reorganization type bankruptcy then we can do a modified estimated loss claim for stuff that wasn't factored into the original loss claim for example if there's a cram down or something along those lines so that is an option

again keep in mind late fees charges all that stuff needs to be kept separate because it's not reimbursable in the guarantee loss claim so these are some very important things to remember when we have a guaranteed loan borrower that enters bankruptcy there's several things that are prohibited by statute within the guaranteed loan program and so this is kind of outline the things that we shouldn't be doing so we need to be keeping guaranteed debts separate from non-guaranteed debts those cannot be combined if we have more than one guaranteed loan we need to keep them separate there is some consolidation of guaranteed loans that can occur but it's in there's a lot of rules governing that so for simplicity sake and to make sure we're not violating statute we need to keep those separate for lines of credit we can go up to 15 years from the date of the confirmed plan but only if we have real estate security and we can capitalize interest but not an amount greater than allowed by statute so keep these things in mind and please don't forget them if you get in a bankruptcy situation

as with monetary default FSA 2248 is required to be submitted to FSA when a borrower files bankruptcy and it needs to continue to be submitted every 60 days while the borrower is in bankruptcy the 2248 or the default status report is going to be used to inform FSA of the bankruptcy filing also it'll be used uh to inform us of 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 form's going to be used for all those things so this concludes our training i hope you found it beneficial and educational as always if you have any questions please feel free to reach out to your local FSA office and if for some reason they aren't able to answer your question they can let us know and we can try and assist in answering your question one last plug i do want to make is with regard to lender surveys

these are surveys that we send out in which we ask for your underwriting criteria and i ask that you please complete them and return them we don't share them

with other lenders or anybody like that stays completely in-house and the reason we send out these surveys is to help us identify are direct loan borrowers that may be able to graduate to commercial credit and which lenders are viable options for them to graduate to the goal of our program is not to keep our borrowers forever eventually we want them to qualify for commercial credit and no longer

need financial assistance from FSA so please complete and return the surveys if you received them
thanks again and this concludes this presentation