

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

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**Farm Storage Facility Loan Program  
1-FSFL**

**Amendment 31**

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**Approved by:** Deputy Administrator, Farm Programs



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**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 2 F has been amended to allow STC's to designate DD's as the approval authority for loan applications for State, Federal, non-Federal County Office employees, including CED's, COC members, and their relatives.

Subparagraph 12 D has been amended to include new grain dryer systems as allowable net cost items on used structures.

**Note:** The cost of the used structure is still ineligible for loan.

Subparagraph 14:

- B has been amended to require that before loan closing and disbursement, CCC-297's must be obtained from each:
  - prior or superior lien holder
  - person having an interest in the real estate
- C has been amended to provide the requirements when a subsequent lien position is taken
- G has been amended to require that the:
  - amount of an irrevocable letter of credit include the total loan principal and interest for the entire first year
  - Regional OGC review and approve the format and content of new irrevocable letters of credit used by each financial institution each FY.

Subparagraph 15 J has been amended to clarify that STC or its representative shall concur before disbursements with the first 3 applications disbursed each FY in each County Office.

## **Amendment Transmittal (Continued)**

### **A Reasons for Amendment (Continued)**

Subparagraph 16 A has been amended to specify that the minimum down payment required on a loan must be made before the loan is disbursed.

Subparagraph 43:

- G has been amended to be consistent with subparagraph 15 J in that STC or its representative shall concur before disbursements with the first 3 applications disbursed each FY in each County Office.
- H has been amended to designate that CCC-195 reports submitted to PSD shall be the total numbers for the State.

Subparagraph 58 G has been amended to provide the new Internet web site where FEMA 81-93 is available.

Subparagraph 121 A has been amended to allow County Offices to use CCC-191 as proof of down payment once it is signed and dated by the contractor or seller, and has the amount of the down payment listed in items (a) and (b).

Subparagraph 123 A has been amended to provide additional information on extensions of the loan approval period.

Subparagraph 150:

- F has been amended to match subparagraph 150 E and allow COC's to extend an installment due date for 120 calendar days
- I has been amended to add a note specifying County Office action when FSFL's are delinquent for DCIA purposes
- K has been added to provide procedure for updating the agency claim flag in FSA-Financial Services for a borrower with a delinquent FSFL.

Subparagraph 172 C has been amended to include information required to be sent to PSD when FSFL collateral is sold under a bankruptcy plan.

Subparagraph 230 B has been amended to instruct County Offices on what to do with the insurance proceeds if an FSFL structure is damaged and will be repaired.

**Amendment Transmittal (Continued)**

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2 Program Information (Continued)

**E Waivers**

DAFP may authorize STC’s and COC’s to waive or modify deadlines and other program requirements in cases where lateness or failure to meet these other requirements does not adversely affect the FSFL operation. STC’s and COC’s without authority to act, may prepare a request for waiver to the applicable program requirement according to Part 18.

**F Execution**

The authority to approve all loan forms and documents prepared according to this handbook may be re-delegated in writing:

- by COC to CED, except CCC-185 and those applications in which CED has a monetary interest
- by CED to Federal and non-Federal County Office employees, except those applications in which the person approving has a monetary interest.

Use the following table for exceptions.

<b>IF the loan applicant is...</b>	<b>THEN the approval authority shall be...</b>
a State, Federal, or non-Federal County Office employee, including CED’s	*--STC or STC designated DD. This delegation cannot be re-delegated.--*
COC member	
*--a relative to County Office employees and COC members	
<b>Note:</b> See Exhibit 2.--*	
DD	STC.
STC member	
SED	
*--a relative to DD, STC member, or SED--*	
<b>Note:</b> See Exhibit 2.	

**Note:** Questionable cases may be referred to the next higher authority for determination. Potential conflict of interest cases shall be handled according to 22-PM.

**2 Program Information (Continued)**

**G Approved FSFL Supplies or Vendors**

The FSFL regulations do not provide for the creation of a list of approved FSFL equipment suppliers or vendors. Potential conflict of interest cases shall be handled according to 22-PM.

**3-9 (Reserved)**



## 12 Eligible and Ineligible Equipment (Continued)

### D Used Structures

Loans may be approved for new components of used structures that are purchased and moved to a new location. Allowable net cost items are those such as:

- site preparation
- foundation material and off-farm paid labor
- off-farm paid construction labor to erect the used bin
- \*--new doors, new roof panels, and new rings needing replacement and new grain dryer systems.--\*

Items ineligible for loan are those such as the:

- cost of the used structure
- cost to disassemble and move the used structure.

## 13 Term of Loan

### A Maximum Term

[7 CFR 1436.7] The maximum term of the loan shall be 7 years from the date of the execution of CCC-186.

### B Extensions

No extensions of the loan term are authorized.

## 14 Security for Loans

### A Secured by CCC-186's

[7 CFR 1436.8] All loans shall be secured by CCC-186 covering the farm storage facility. CCC-186 shall:

- grant CCC a security interest in the collateral
- be executed as required by applicable State law.

## 14 Security for Loans (Continued)

**B Prior Liens on Real Estate**

CCC's security interest in the **collateral**, such as the actual storage structure, shall constitute the sole security interest in collateral. If prior liens on the underlying real estate attach to the collateral, County Offices shall:

- unless waived by Regional OGC, obtain CCC-297 from each prior or superior lien holder and each person, including the borrower, having an interest in the real estate on which the **\*--collateral is to be located before loan closing and disbursement.--\***

**Notes:** CCC-297 shall be filed with the appropriate county real estate records before loan closing.

See paragraph 118 for more details.

- not allow any additional liens or encumbrances to be placed on the storage facility after the loan is approved unless CCC approves otherwise in writing.

**C Real Estate Lien Requirements**

A lien on the real estate on which the farm storage facility will be located is required if any of the following apply:

- a loan amount exceeds \$50,000
- the aggregate outstanding loan balance exceeds \$50,000
- COC determines as a result of financial analysis that additional security is required.

For loan amounts secured by real estate, CCC's interest in the real estate shall be superior to all other lien holders. If the real estate is covered by a prior lien, a lien subordination may be obtained by a form approved for use in the State by the Regional Attorney.

**Exception:** If FSA holds a superior lien on applicable real estate through an FLP loan, a subordination is not required. However, a junior real estate lien is required.

If prior lien holders will not subordinate to CCC, COC may approve alternative forms of security, such as:

- **\*--subsequent lien position only if both of the following apply:**
  - CCC is adequately secure
  - an agreement is executed with the primary lien holder, following the requirements specified by the Regional Attorney, not to extend additional liens on the property
- first lien on different realty
- letter of credit.--\*

## 14 Security for Loans (Continued)

### D Form of Real Estate Lien

Real estate liens shall be in the form of a real estate mortgage, deed of trust, or other security instrument approved by CCC and according to applicable State laws.

### E Real Estate Lien Guidelines

The lien should cover an acreage, including the entire parcel of real estate underlying the collateral, that is:

- sufficient, in the approving committee's opinion, to ensure repayment of the loan
- a salable unit in the event of foreclosure.

### F Land Separate From the Collateral

Real estate liens may cover an acreage of land separate from the collateral if an adequate lien on the underlying real estate is not feasible and if:

- the borrower owns the separate acreage
- the acreage of the entire parcel is sufficient enough, in the approving committee's opinion, to ensure repayment of the loan
- reasons why a lien on the underlying real estate was not feasible are documented.

### G Other Forms of Security

Other forms of security may be considered to be acceptable by the approving committee, such as irrevocable letters of credit, performance bonds, or similar CCC approved instruments. An irrevocable letter of credit **must** be:

- from a financial institution and provided by the applicant
- \*--for the total of the loan principal plus interest on the total principal for the entire first year of the loan--\*
- for the entire term of the loan plus 60 calendar days
- written in a manner sufficient to protect CCC's security interest in the collateral

**Note:** PSD has an example of an acceptable letter of credit that will be sent to State Offices upon request.

14 Security for Loans (Continued)

**G Other Forms of Security (Continued)**

- used in each State, under guidance of the Regional OGC, to comply with laws specific to that State
- \*--used by each financial institution and reviewed and approved by the Regional OGC each FY--\*

**Note:** Any variances to FSFL requirements when letters of credit are used must be specified, in writing, from the Regional OGC.

- stored in a locked, fireproof file and not released until 30 calendars days from the date of the final repayment.

**H Renovated Structures**

If an existing structure is remodeled and an addition becomes an attached, integral part of the existing storage structure, CCC’s security shall include the existing storage structure.

**I Fees for Filing and Recording UCC’s, Instruments, and Other Transactions**

Filing and recording fees shall be paid according to the following table.

<b>IF the transaction is for...</b>	<b>THEN the fee is paid by...</b>
a credit report	CCC.
a collateral lien search	
filing a financing statement using a UCC document	
filing a fixture filing using a UCC document	
fees charged by a local or State municipally for expenses associated with a real estate lien search for severance agreement purposes	
termination of a financing statement using a UCC document	borrower.
filing a release or discharge of a real estate lien such as a mortgage	
filing a discharge of a severance agreement	
attorney fees related to a lien on real estate used to secure FSFL	
real estate lien, deed or title search related to a lien on real estate used to secure FSFL	
recording a severance agreement	
filing and recording a subordination agreement related to a lien on real estate used to secure FSFL	
all other instrument filing and recording transactions related to a lien on real estate used to secure FSFL	

**15 Loan Amount and Loan Approvals (Continued)****I Approval Expiration**

Loan approvals expire 4 months after the approval date, unless extended in writing for up to an additional 4 months by STC.

**Note:** See paragraph 123 for further details.

**J STC Concurrence**

STC or its representative shall:

- \*--concur **before** disbursement with the first 3 applications disbursed each FY at an--\* administrative County Office regardless of the amounts requested

**Note:** Additional reviews, including those following loan disbursement, may be conducted if determined necessary by STC.

- document concurrence in the loan folder on CCC-185, item 18 and CCC-195, items 22 and 23

**Note:** In CCC-195, item 23 indicate that this spot check was required under subparagraph 15 J.

- initiate corrective action where necessary.

**16 Downpayment****A Minimum Downpayment**

[7 CFR 1436.10] A minimum downpayment shall be:

- the difference between the net cost of the storage facility and the amount of the loan determined by paragraph 15

- \*--made by the loan applicant to the supplier or contractor before the loan is disbursed.--\*

**B Allowances**

The downpayment must be in cash. The cash may be the result of a loan. County Offices shall ensure that downpayments obtained from loans are accounted for when determining the borrower's capability of repaying a loan.

**16 Downpayment (Continued)****C Exclusions**

The downpayment shall not include any of the following:

- discount
- rebate
- credit
- deferred payment
- post-dated check
- promissory note to the supplier or contractor
- trade-in value.

**17 Disbursement****A Inspection and Approval**

[7 CFR 1436.11] CCC shall disburse the loan when the farm storage facility has been:

- delivered
- constructed
- assembled
- installed
- inspected and approved by a COC representative
- determined to be free of liens other than CCC's by a final lien search.

**B Evidence of Total Cost**

Disbursement will be made only if the borrower provides satisfactory evidence of the following:

- total cost of the facility
- payment of all debts on the facility in excess of the amount of the loan
- required downpayment.

**C Joint Disbursement**

Disbursements shall be made jointly to the borrower and the contractor or supplier.

**Exception:** Disbursement may be made to the borrower if the County Office determines the borrower has paid the contractor or supplier all amounts that are due and owing with respect to the facility.

**43 Processing an Application (Continued)****G STC or Designee Spot Checks**

STC or designee shall:

- spot check determinations selected by the State Office
- complete CCC-195, items 22A, B, and C, checking the “Concur” or “Do Not Concur” box for the selected determination, signing and dating
- submit the results of the spot checks to SED.

**Note:** STC or designee shall still follow subparagraph 15 J and spot check the first 3  
 \*--applications disbursed each FY at the administrative County Office before--\*  
 disbursement. CCC-195, items 22A through C are to be completed for these 3  
 loans and are to be included in the number of CCC-195’s spot checked.

**H National Report**

\*--SED’s shall report the following by State to PSD as of September 30 of each FY:--\*

- the number of CCC-195’s spot checked by CED, DD, or STC designee
- the number of CCC-195’s spot checked by STC, or designee
- the number of “Do Not Concur” signed by CED, DD, or STC designee
- the number of “Do Not Concur” signed by STC or designee.--\*

Reports are due to PSD by October 31, of the new FY.





## Section 2 Other Requirements

### 58 Insurance Requirements

#### A Crop Insurance Requirement

To enhance a borrower's repayment ability, County Offices shall:

- require the producer to provide proof of multi peril crop insurance for all insurable facility loan commodities of economic significance on all farms operated by the borrower in the county where the storage facility is located
- annually obtain proof of multi peril insurance for each crop year applicable to the entire term of the loan, except for sugar beets because sugar beets are not an FSFL commodity.

#### B Acceptable Forms of Insurance

Acceptable forms of crop insurance are any level of coverage of multi peril insurance, including the catastrophic level, group coverage, and crop revenue coverage offered under the Federal Crop Insurance Program.

#### C Acceptable Proof of Insurance

County Offices shall accept proof of insurance, such as:

- statements of coverage for the applicable crop year
- applications for insurance for the applicable crop year signed by the agent
- other forms of proof acceptable to CED.

#### D Crop Insurance Waiver

County Offices shall:

- waive the requirement if it is too late for the producer to obtain multi peril insurance for the crop year
- enter the following statement on CCC-185, remarks section:

“I agree to purchase multi peril crop insurance for facility loan commodities during the next available sales period. I understand that my failure to meet this requirement will be construed as a program violation.”

- \*--ensure that producers initial and date the statement on CCC-185 to signify that the statement is understood and will be complied with.--\*

**58 Insurance Requirements (Continued)****E Failure to Obtain Crop Insurance**

County Offices shall:

- monitor the borrower's crop insurance status
- consider a lack of insurance to be a program violation
- take action to call loans when borrowers do not maintain insurance.

**Note:** Before calling loans, COC's may request a waiver according to subparagraph 2 E.

**F All Peril Structural and Flood Insurance**

To protect CCC's interest in collateral, County Offices shall:

- require borrowers to obtain all peril insurance on the storage, handling, or drying structures listing CCC as a loss payee
- ensure that amount of coverage shall always equal or exceed outstanding loan balance
- obtain proof of all peril that lists CCC as a loss payee as soon as it is available
- review proof of all peril insurance provided to CCC periodically by insurance companies or borrowers
- take action to call loans when borrowers do not maintain insurance.

**Note:** Before calling loan for lapse of insurance, COC's, according to subparagraph 2 E, may request a waiver for failure to fully comply with program requirements, if borrowers still obtain insurance.

**G Flood Insurance**

To protect CCC's interest in collateral, County Offices shall:

- determine whether proposed storage facility sites are located in flood hazard areas by viewing national flood insurance program maps
- document the review on FEMA 81-93, available on the Internet at **\*--<http://www.fema.gov/business/nfip/sfhdform.shtm>--\***
- require the loan applicant to obtain flood insurance if the review documented on FEMA 81-93 indicates that flood insurance is required
- obtain proof of flood insurance coverage
- not approve loans if flood insurance is required and not obtained or not available
- review proof of insurance provided by insurance companies to ensure that insurance is maintained for the life of the loan
- take action to call loans when borrowers do not maintain insurance.

**121 Final Review of Cost Documents****A Acceptable Cost Documents**

County Offices shall review:

- final evidence of total cost
- proof of downpayment

**\*--Note:** CCC-191, signed and dated by the contractor or seller, with the amount of the down payment listed in items (a) **and** (b) is considered proof of down payment.--\*

- payment of amounts in excess of the loan.

**Note:** Evidence must be signed and dated by the seller.

**B Examples of Acceptable Evidence**

The following are examples of acceptable evidence of cost documents:

- a sales document or receipt, which is signed and dated by the seller
- a certification, which is signed and dated by the seller or provider of services
- a canceled check, which is supported by a signed and dated sales document
- a receipt, which is signed and dated by the seller or provider of services
- copies or facsimiles of documents with the seller's original signature and date.

**Note:** Seller signatures on sales documents are not required if CCC-191 is on file for an amount equal to the sales document amounts.

**C County Office Action**

County Offices shall:

- date-stamp original evidence, make a copy for the loan folder, and return original evidence to the borrower
- request applicant to provide any additional information or documentation considered necessary to support costs or downpayment
- verify evidence with sellers, if necessary
- obtain COC reconsideration if final review indicates that:
  - final costs exceed costs on which COC approval was based
  - final documentation includes items not in the original approval
- ensure that all necessary actions and forms have been completed
- calculate the amount to be disbursed according to paragraphs 15 and 16.

## 121 Final Review of Cost Documents (Continued)

**D Trade in Allowances**

County Offices shall not allow trade in allowances.

**Example:** Borrower has an old grain dryer he or she values at \$1,000 to:

- trade in to the storage bin distributor
- use towards the downpayment.

**E Release of Liability**

County Offices shall obtain CCC-191 for storage and handling facility construction projects from the following:

- the primary contractor who either constructs or subcontracts all aspects of the facility construction and presents 1 bill to the borrower for the entire FSFL project
- all contractors and suppliers providing separate bills for supplies, work, or services performed in the construction of FSFL, whether their part of the project is included in the final amount of FSFL.

**Notes:** CCC-191 will **not** be required for a supplier of goods if the total cost is less than \$100 **and** the cost is not included in the final loan amount.

Only one CCC-191 is required from each contractor supplying goods or performing services. CCC-191 on file does not have to reflect that the total amount of the bill has \*--been paid. CCC-191 can show a partial payment (at least 15 percent) has been made.--\*

**Example:** The borrower has paid the cement contractor the required 15 percent of his total cement bill as reflected in his total/final bill. The 15 percent is entered in CCC-191, items 3(a) and 3(b). As the cement contractor has not been totally paid, the loan disbursement was made to the borrower and the cement contractor. A new CCC-191, following disbursement with the contractor's name on the check, is not required from the contractor.

## 123 Extension of Approvals

### A Extensions That May Be Granted

Loan approvals expire 4 months after the date of approval. COC's shall:

- obtain approval from STC or STC designee to grant up to an additional 4-month extension if there are bona fide delays in construction

**Note:** Extensions become necessary only if the applicant has not completed construction or has not submitted all documentation required to disburse the loan. Delays in disbursing a loan within the control of CCC, such as funds obligation, do not require a request for extension from the applicant.

•\*--grant extensions only if the applicant:

- submits a written request for an extension within 7 calendar days of notification by the County Office or the loan approval period expiration date, whichever is later.--\*

**Notes:** County Offices shall notify borrowers by telephone, e-mail, or letter, 14 workdays before the expiration date that, if necessary, they must request an extension in writing.

\*--Extensions may be approved after the loan approval period expiration date if the request for the extension was made in a timely manner.--\*

- provides evidence that the application was made in good faith
- provides evidence that lack of completion is because of reasons beyond his or her control

**Examples:** The following are examples of reasons beyond the borrower's control:

- delays in the delivery of parts
  - bad weather conditions
  - lack of necessary skilled labor
  - legal delays involving real estate liens.
- grant extensions only for the time necessary to complete the installation
  - not grant automatic extensions

**123 Extension of Approvals (Continued)**

**A Extensions That May Be Granted (Continued)**

- \*--ensure that extensions can also be granted if the:
  - site preparation and foundation are both completed by the original loan approval period extension date
  - applicant provides a binding contract, signed by the applicant and supplier, proving there is a purchase commitment.--\*
- notate a new expiration date on CCC-185, Remarks section.

**B Requests for Extensions Beyond 8 Months**

STC's or STC designees are not authorized to grant extensions of FSFL approvals beyond 8 months from the date of original approval. Requests for waivers of this policy may be submitted to DAFP, according to subparagraph 2 B, if the request:

- meets the requirements of subparagraph A
- is submitted according to paragraph 276.

**124-135 (Reserved)**

**150 Collecting Installments (Continued)****E Later Payment of an Installment (Continued)**

County Offices shall:

- notify debtors of this option in the first demand letter sent the day after an installment is unpaid and subsequent letters sent within 60 calendar days of the due date
- process requests for COC approval or disapproval by obtaining:
  - the debtor's request in writing, including a reason why the installment cannot be paid on time
  - a recommendation about the debtor's ability to repay at a later date from an FSA employee with FLP loan approval authority
- notify debtors of COC decisions in writing
- resume collection activity according to subparagraph D if the installment is not paid by the COC-determined date
- continue to collect payment of the installment due plus additional interest by administrative offset of any CCC payments due the borrower.

**F Demand Letters**

If the installment is not paid, County Offices shall:

- mail the following demand letter to contact borrowers and all co-borrowers on the day after due date
- in addition to the first demand letter, mail 2 subsequent demand letters at 30 calendar day intervals if the installment is not paid
- calculate a new amount due for 30 calendar days from the date of the letter.

150 Collecting Installments (Continued)

F Demand Letters (Continued)

\*--

(Letter Date)

(Borrower Name)

(Borrower Address line 1)

(Borrower Address line 2)

Dear (Borrower Name),

Please be advised that according to the regulations at 7 CFR 1436.13 and the terms of CCC-186, Promissory Note and Security Agreement, an installment payment was due and payable for the Farm Storage Facility Loan Program on the date shown below. The installment has not been paid.

Please send your check payable to the Commodity Credit Corporation immediately for the new amount due (shown below) because of additional interest. Send your payment to the following address:

Commodity Credit Corporation  
 (insert office street address)  
 (insert City, State, and ZIP Code).

Loan Number	Date of Note and Security Agreement	Unpaid Installment Amount	Original Due Date	Amount Due 30 Days From Date of This Letter
		\$		\$

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

Feel free to give us a call if you have any questions. If for some reason, you cannot pay the amount due, contact our office immediately to discuss this situation.

(Insert as applicable according to subparagraph E.) Subject to COC approval, you may request up to 120 more calendar days after the due date to pay the installment. The request must be in writing, stating why you cannot pay the installment on time, and must be submitted with a current cash flow statement by no later than 60 calendar days after the installment due date. If approval for a later payment date is approved, CCC will continue to collect payment towards the installment due plus additional interest by administrative offset of CCC payments due you.

If you believe that you have been sent this notice in error, that the determination is in error, or that the amount due is incorrect, you have 30 calendar days from the date of this letter to request reconsideration, mediation, or an appeal. (Insert rights for reconsideration, mediation, and appeal according to 1-APP.)

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

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

--\*



**150 Collecting Installments (Continued)****G Loan Acceleration**

CCC may:

- declare the entire indebtedness immediately due and payable if the borrower:
  - violated any of the terms and conditions of the application
  - breaches any of the terms and conditions of any of the instruments executed in connection with the loan
- call the loan if the collateral is used in connection with any commercial operation, including but not limited to, elevators, warehouses, dryers, or processing plants during the life of the loan.

**Note:** The loan may be paid in full or in part at any time before maturity.

**H Releasing Security**

Upon payment of a loan in full, County Offices shall:

- release or obtain the release of security documents, as required by State law, upon request by the borrower
- require the borrower to pay all release fees
- mark the original CCC-186 “paid” and forward to the borrower after 30 calendar days from the date of repayment.

**Note:** If final FSFL payment is made by cash, certified check, or money order, borrower may request an accelerated release of security documents from SED. Included with the request, the County Office will send a copy of the final FSFL repayment receipt showing the loan has been paid in full, and a copy of CCC-257 showing the remittance has been deposited. SED, after reviewing the documents, may advise the County Office in writing, to proceed with releasing the security documents. The authority for this release may not be re-delegated.

**150 Collecting Installments (Continued)****I Delinquent FSFL's for DCIA Purposes**

County Offices shall consider FSFL's delinquent for DCIA purposes when either of the following occurs:

- a due and payable FSFL installment is not paid in full within 90 calendar days after the due date
- the installment principal balance, after a due and payable installment is applied, exceeds \$25, within 90 calendar days after the due date.

**\*--Note:** When FSFL's are over 90 days delinquent, County Office's shall set the delinquent flag on the "Producer Eligibility" web page according to 3-PL, paragraph 36.--\*

**J STC Review of Repayment Status**

STC or representative shall:

- at least quarterly, review the Repayment Status Report

**Note:** See subparagraphs 414 A and H.

- ensure that County Offices are:
  - sending the required demand letter the day after the installment due date
  - sending other required demand letters timely
  - following correct procedure for collecting any delinquent payments.

**\*--K Updating Flags for Delinquent FSFL Borrowers**

On the day after the installment due date, County Offices shall set the other "Agency Claim Flag" in FSA-FS on all borrowers listed on the delinquent loan as follows:

- access the FSA Internet Home Page at <http://intranet.fsa.usda.gov/fsa/>
- click:
  - "FSA Applications", under "Links"
  - "Financial Application", under "Financial Services"
  - "FSA Financial Services" to go to the eAuthentication Screen
  - "Continue"
- enter a valid eAuthentication user ID and password, and click "Login" to continue--\*

## 150 Collecting Installments (Continued)

### \*--K Updating Flags for Delinquent FSFL Borrowers (Continued)

- click “Select Customer from SCIMS” to select the producer
  - Note:** See 1-CM for instructions on selecting a customer from SCIMS.
- after the customer has been selected, FSA-FS Menu will be displayed
- click “Update Customer Profile” to change the flag setting for “Other Agency Claim”
- click the radio button under “Other Agency Offset”, according to the following:
  - “Yes” to set the flag
  - “No” to remove a previously set flag.
- click :
  - “Submit” to record the flag setting
  - “Logoff” to exit FSA-FS.--\*

## 150.5 Small FSFL Installment Principal Balances

### A Why Small Balances Exist

Small installment principal balances result when installments are **not** paid on the due date and the County Office processes the repayment using the receipt date as the date of repayment; therefore, additional interest is calculated to the date of receipt. See subparagraph 361 C about repayment date.

**Note:** Interest is from date disbursed to date payment is made or from one repayment date to the next repayment date. Additional interest accrues and is owed if over 365 calendar days.

### B How to Detect Existing Small Principal Balances

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

- review the FSFL repayment receipt printed when the last repayment was applied, according to subparagraph 361 G

**Note:** The message, “The principal balance after this payment is current”, is printed on the repayment receipt and correct as of that day. As the loan is current until after the anniversary date or due date, any additional amount due will not be printed on the receipt or the repayment status report until after the due date.

**150.5 Small FSFL Installment Principal Balances (Continued)****B How to Detect Existing Small Principal Balances (Continued)**

- identify loans with small installment principal balances that require further collection action.

**Note:** County Offices are:

- encouraged to periodically run the “FSFL Repayment Status Report”, per subparagraph 414 G, to identify loans on which principal balances exist
- to take collection action according to subparagraph 150.5 C.

**C Collection Actions**

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

- if the producer has made a full installment payment and is behind the scheduled principal balance, do not pursue collection action. Notify the borrower that additional interest has accrued on the loan due to the timing of repayments. This amount will be collected with the next installment, unless the borrower voluntarily provides payments
- pursue collection of the installment principal balance, according to subparagraph 150 D, except use the demand letter in subparagraph E

**Exception:** To minimize collection costs for installment principal balances of \$25 and less, except for the final installment payment, County Offices shall not pursue collection until the subsequent installment is due and payable.

- continue collection action, according to subparagraph 150 D, if installment principal balances remain unpaid after 2 consecutive monthly installment principal balance demand letters

**Note:** The County Office should send out the demand letter in subparagraph E. If not, paid within 30 calendar days, send the 2<sup>nd</sup> demand letter, each time asking for repayment of the installment principal balance only. If received within the 60 calendar days, the repayment should be entered as being made on the date of the last installment. If paid after the 60 calendar days, also collect additional interest to date of repayment.

**D Minimizing the Creation of Small Principal Balances**

To minimize creating small installment principal balances, County Offices shall calculate the current correct amount due if the repayment is not made within the 15-day grace period, per subparagraph 361 C.

## Part 11 Bankruptcy

## 172 Bankruptcy Actions

## A Notification

After notification by a bankruptcy court that a borrower is filing for bankruptcy, County Offices shall:

- send a copy of the notice of filing to the State Office for forwarding to the Regional OGC
- not take any action:
  - to possess or sell the collateral
  - prohibited by the Bankruptcy Code
- obtain advice from OGC through the State Office before taking any action against the person or property filing a petition for bankruptcy.

**Note:** With the approval of the Regional OGC, it is strongly suggested that the State Office file Proof of Claim Form B10 on all FSFL's in bankruptcy with the bankruptcy court by the due date. This should include copies of the following:

- CCC-186
- UCC-1's and amendments
- CCC-295A
- equipment lists
- CCC-297.

Proof of Claim Form B10 can be found at  
[www.uscourts.gov/bankform/index.html](http://www.uscourts.gov/bankform/index.html).

\*--After receiving notification of a bankruptcy filing, the State Office shall e-mail the following bankruptcy information to DeAnn Allen, PSD at [deann.allen@wdc.usda.gov](mailto:deann.allen@wdc.usda.gov):

- name and address of borrower
- State and county
- year and loan number
- date of bankruptcy filing
- bankruptcy chapter filed
- loan principal balance at bankruptcy filing
- original loan principal
- date loan disbursed.--\*

**172 Bankruptcy Actions (Continued)****B Reorganization Plans**

After the court notifies either the State or County Office that a confirmed plan of reorganization has been approved and the terms and conditions of CCC-186 and supplemental documents are changed by court order, County Offices shall:

- maintain the loan in loan status
- accept repayments according to the reorganization plan
- refer the claim to OGC for legal action if a borrower defaults on the payment schedule or any provision of the court approved plan.

**Note:** If the terms and conditions of CCC-186 and supplemental documents are changed by court order, the County Office, through the State Office, shall contact PSD as to the correct and up-to-date procedures to follow to revise the loan terms.

**C Selling Collateral**

If the bankruptcy court authorizes CCC to sell the collateral, rather than accepting payments according to a reorganization plan, County Offices shall:

- ask borrower to sign CCC-400:
  - prepared according to paragraph 202
  - revised with OGC advice
- sell loan collateral according to Part 13
- apply sales proceeds to the outstanding loan amount
- if sales proceeds exceed the amount due CCC, issue CCC-184 to the producer
- transfer unpaid loan balance to claims if:
  - there is an unpaid loan balance
  - collateral has been sold
  - the loan has been discharged by the bankruptcy court.

\*--When FSFL collateral is sold under a bankruptcy plan, the following information must be sent to PSD:

- fair market value determine by COC
- sales proceeds received
- date sales proceeds received
- sales expenses
- date loan liquidated in APSS.--\*

**173-179 (Reserved)**

## 230 Repairing or Replacing Loan Collateral

### A Occurrences

Requests for repairing or replacing loan collateral may occur when:

- equipment wears out before reaching the end of its useful life
- insured structures and equipment are damaged or destroyed by insurable causes of loss, such as wind storms and fire.

### B County Office Action

County Offices shall:

- **not** approve requests to amend existing loan security documents to replace or substitute loan collateral
  - when collateral is destroyed or damaged, and **will not be repaired:**
    - inspect facility to assess damage
    - immediately call the loan according to paragraph 180
    - apply insurance proceeds as a regular loan repayment
    - create a claim for outstanding amounts after CCC has disposed of the loan collateral, according to Part 13
  - when collateral is damaged and **will be repaired:**
    - inspect facility to assess damage
    - inspect facility after repairs have been completed
    - release insurance proceeds to debtor when debtor presents evidence of cost of repairs
- \*--Note:** County Offices shall hold insurance proceeds until repairs are completed. Insurance proceeds are not to be deposited. **Do not let the check expire.** State Specialists shall contact PSD, at least 30 days before a check expires, for instructions on how to proceed.--\*
- advise producers that they may apply for new loans for replacement facilities and equipment.

**\*--231 Releasing Real Estate Security**

**A Partial Releases**

Partial releases of real estate used to secure loans are authorized when:

- a request in writing is received from debtors
- COC determines that:
  - the partial release will not jeopardize CCC's security interest
  - the remaining real estate has sufficient value to secure the loan
  - the remaining real estate is a saleable unit
- the borrower pays all costs associated with the release.



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

**Abbreviations Not Listed in 1-CM**

The following abbreviations are not listed in 1-CM.

<b>Approved Abbreviation</b>	<b>Term</b>	<b>Reference</b>
DCIA	Debt Collection Improvement Act	11, 42, 43, 46, 150
FSA-FS	FSA Financial Services	150
FSFLP	Farm Storage Facility Loan Program	Text, Ex. 2
NITC	National Information Technology Center	451
SOD	Start-of-Day	150, 150.5
SORS	State Office Reporting System	451

**Delegations of Authority**

This table lists the delegations of authority in this handbook.

<b>Delegation</b>	<b>Reference</b>
CED may be delegated authority by COC to sign all forms or documents, except CCC-185. Federal and non-Federal County Office employees, except those applications in which the person approving has a monetary interest, may be delegated authority by CED. See paragraph 2 for exceptions.	2

