

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

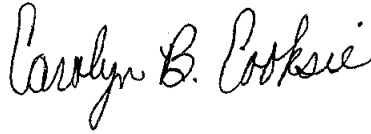
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**Direct Loan Servicing – Special  
and Inventory Property Management  
5-FLP**

**Amendment 4**

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



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**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 102 G has been amended to clarify when interest must be paid before restructuring.

Subparagraph 116 A has been added to provide that borrowers shall be notified of FSA's decision within 60 calendar days.

Subparagraph 193 B has been amended to remove the word "current" in front of market value.

Subparagraph 322 C has been amended to clarify buyout procedure.

Subparagraph 343 B has been amended to clarify appraisal requirements for SAA calculations.

Paragraph 401 has been amended to clarify using "BAP" flags, notification attachments, and OGC guidance.

Subparagraphs 462 B and C have been amended to clarify title search and disposition policy.

Subparagraphs 463 C and 465 C have been amended to clarify that acceleration is required before sending Exhibit 44, after voluntary liquidation.

Paragraph 537 has been amended to provide additional references and clarify responsibilities.

Subparagraph 721 A has been amended to update references.

Paragraph 776 has been amended to clarify when inventory property can be advertised to the general public.

Subparagraphs 784 B and C, and Exhibit 71 have been amended to include the Tribe's option for a 5-year lease after FSA acquires real property.

**Amendment Transmittal (Continued)**

**A Reasons for Amendment (Continued)**

Exhibits 34, 44, 52, 53, and 54 have been amended to reflect updates.

Exhibits 49, 50, and 51 have been amended to clarify that loan acceleration is not appealable.

<b>Page Control Chart</b>		
<b>TC</b>	<b>Text</b>	<b>Exhibit</b>
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**102 Eligibility (Continued)**

**E NRV of Nonessential Assets**

**[7 CFR 766.104(a)(2)] The borrower does not have non-essential assets for which the net recovery value is sufficient to resolve the financial distress or pay the delinquent portion of the loan.**

DALR\$ calculates NRV of a borrower's nonessential assets.

**F Borrower in Nonmonetary Default**

**[7 CFR 766.104(a)(3)] If the borrower is in non-monetary default, the borrower will resolve the non-monetary default prior to closing the servicing action.**

**G Financially Distressed Borrower**

**[7 CFR 766.104(a)(5)] Financially distressed or current borrowers requesting servicing must pay a portion of the interest due on the loans.**

\*--A borrower who received FSA-2512 and is not delinquent must pay as much interest as--\* feasible.

**H Federal Crop Insurance Violation**

**[7 CFR 766.104(a)(6)] The borrower must not be ineligible due to disqualification resulting from Federal Crop Insurance violation according to 7 CFR part 718 (1-CM).**

**I Debtors With SA Only**

**[7 CFR 766.104(b)] Debtors with SA only must:**

- (1) Be delinquent due to circumstances beyond their control;**
- (2) Have acted in good faith.**

**103 Consideration of Servicing****A General Policy**

The authorized agency official uses DALR\$ to determine which loan servicing authority or combination of authorities may be available to the borrower. For additional information on DALR\$ functions, see Exhibit 17.

**B Order in Which FSA Considers Servicing Options**

**[7 CFR 766.105(a)] The Agency will consider loan servicing options and combinations of options to maximize loan repayment and minimize losses to the Agency. The Agency will consider loan servicing options in the following order for each eligible borrower who requests servicing:**

- (1) Conservation Contract, if requested;**
- (2) Consolidation and rescheduling or reamortization;**
- (3) Deferral;**
- (4) Writedown; and**
- (5) Current market value buyout.**

**C Debt Service Margin**

**[7 CFR 766.105(b)] (1) The Agency will attempt to achieve a 110 percent debt service margin for the servicing options listed in paragraphs (a)(2) through (4) (subparagraph B) of this section.**

**(2) If the borrower cannot develop a feasible plan with the 110 percent debt service margin, the Agency will reduce the debt service margin by one percent and reconsider all available servicing authorities. This process will be repeated until a feasible plan has been developed or it has been determined that a feasible plan is not possible with a 100 percent margin.**

**(3) The borrower must be able to develop a feasible plan with at least a 100 percent debt service margin to be considered for the servicing options listed in paragraphs (a)(1) through (4) (subparagraph B) of this section.**

## 116 Agency Notification of Servicing Decision

**\*--A Notification Requirement**

**[7 CFR 766.106] The Agency will send the borrower notification of the Agency's decision within 60 calendar days after receiving a complete application for loan servicing.--\***

**B Notifying Financially Distressed or Current Borrowers**

**[7 CFR 766.106 (a)(1)] If the borrower can develop a feasible plan and is eligible for primary loan servicing, the Agency will offer to service the account.**

Upon approval by FLM, or SED if any debt is projected to be forgiven, the borrower will be sent FSA-2519 and FSA-2520 by the authorized agency official.

**[7 CFR 766.106 (a)(1) (i)] The borrower will have 45 days to accept the offer of servicing. After accepting the Agency's offer, the borrower must execute loan agreements and security instruments, as appropriate.**

**[7 CFR 766.106 (a)(1) (ii)] If the borrower does not accept the offer, the Agency will send the borrower another notification of the availability of loan servicing if the borrower becomes 90 days past due in accordance with § 766.101(a)(2) (subparagraph 66 A).**

**[7 CFR 766.106 (a)(2)] If the borrower cannot develop a feasible plan, or is not eligible for loan servicing, the Agency will send the borrower the calculations used and the reasons for the adverse decision.**

Upon denial by FLM, the borrower will be sent FSA-2523 and FSA-2524 by the authorized agency official. A copy of the DALR\$ report will be included.

**[7 CFR 766.106 (a)(2) (i)] The borrower may request reconsideration, mediation and appeal in accordance with 7 CFR parts 11 and 780 of this title.**

**[7 CFR 766.106 (a)(2) (ii)] The Agency will send the borrower another notification of the availability of loan servicing if the borrower becomes 90 days past due in accordance with § 766.101(a)(2) (subparagraph 66 A).**

## 116 Agency Notification of Servicing Decision (Continued)

**C Notifying Borrowers 90 Days Past Due or in Nonmonetary Default**

**[7 CFR 766.106 (b)(1)] If the borrower can develop a feasible plan and is eligible for primary loan servicing, the Agency will offer to service the account.**

Upon approval by FLM, or SED if any debt is forgiven, the borrower will be sent FSA-2517 and FSA-2518 by the authorized agency official.

**[7 CFR 766.106 (b)(1) (i) The borrower will have 45 days to accept the offer of servicing. After accepting the Agency's offer, the borrower must execute loan agreements and security instruments, as appropriate.**

**[7 CFR 766.106 (b)(1) (ii) If the borrower does not timely accept the offer, or fails to respond, the Agency will notify the borrower of its intent to accelerate the account.**

**[7 CFR 766.106 (b)(2)] If the borrower cannot develop a feasible plan, or is not eligible for loan servicing, the Agency will send the borrower notification within 15 days, including the calculations used and reasons for the adverse decision, of its intent to accelerate the account in accordance with subpart H (Part 15) of this part, unless the account is resolved through any of the following options:**

Upon denial by FLM, the borrower will be sent FSA-2521 and FSA-2522 by the authorized agency official.

**[7 CFR 766.106 (b)(2) (i) The borrower may request reconsideration, mediation or voluntary meeting of creditors, or appeal in accordance with 7 CFR parts 11 and 780.**

**[7 CFR 766.106 (b)(2) (ii) The borrower may request negotiation of appraisal within 30 days in accordance with § 766.115 (subparagraph 230 B).**

**[7 CFR 766.106 (b)(2) (iii) If the net recovery value of non-essential assets is sufficient to pay the account current, the borrower has 90 days to pay the account current.**

**[7 CFR 766.106 (b)(2) (iv) The borrower, if eligible in accordance with § 766.113 (paragraph 321), may buyout the loans at the current market value within 90 days.**

**[7 CFR 766.106 (b)(2) (v) The borrower may request homestead protection if the borrower's primary residence was pledged as security by providing the information required under § 766.152 (Part 7).**

117-125 (Reserved)

**193 Amount of Debt Canceled by Conservation Contract (Continued)**

**A Maximum Debt Reduction for a Financially Distressed or Current Borrower (Continued)**

**Example:** A financially distressed or current borrower has a 1,000-acre farm. All 1,000 acres are pledged as security for FO. The unpaid FLP loan balance is \$100,000 (principal, interest, and recoverable costs already paid by FSA). The \*\*\* market value of the farm is \$150,000. The borrower proposes to set aside 100 acres for a 30-year FSA-2535.

- Step 1. 100 acres ÷ 1,000 acres = 10 percent
- Step 2. \$100,000 x 10 percent = \$10,000
- Step 3. \$100,000 x 33 percent = \$33,000
- Step 4. The maximum amount of debt reduction for a 50-year contract = \$10,000
- Step 5. Maximum debt reduction for a 30-year contract: \$10,000 x 60% = \$6,000
- Step 6. Maximum debt reduction for a 10-year contract: \$10,000 x 20% = \$2,000

**B Maximum Debt Reduction for a Delinquent Borrower**

**\*--[7 CFR 766.110(i)] The amount of debt reduction by a Conservation Contract is--\***  
**calculated as follows:**

**(1) Divide the contract acres by the total acres that secure the borrower’s FLP loans to determine the contract acres percentage.**

$$\frac{\text{Contact acres}}{\text{Total acres}} \text{ divided by } \frac{\text{Total acres}}{\text{Total acres}} = \frac{\text{Percent of contract acres to total acres}}{\text{Total acres}}$$

**(2) Multiply the borrower’s total unpaid FLP loan balance (principal, interest and recoverable costs already paid by the Agency) by the percentage calculated in paragraph (i)(1) of this section to determine the amount of FLP debt that is secured by the contract acreage.**

$$\frac{\text{Total FLP debt}}{\text{Total FLP debt}} \times \frac{\text{Percent calculated in (i)(1)}}{\text{Percent calculated in (i)(1)}} = \frac{\text{FLP debt secured by contract acres}}{\text{FLP debt secured by contract acres}}$$

**\*--(3) Multiply the market value of the total acres, less contributory value of any--\***  
**structural improvements, that secure the borrower’s FLP loans by the percent**  
**calculated in paragraph (i)(1) of this section to determine the current value of the acres**  
**in the contract.**

$$\frac{\text{Market value of total acres less contributory value of structural improvements}}{\text{Market value of total acres less contributory value of structural improvements}} \times \frac{\text{Percent calculated in (i)(1)}}{\text{Percent calculated in (i)(1)}} = \frac{\text{Market value of acres in the contract}}{\text{Market value of acres in the contract}}$$

193 Amount of Debt Canceled by Conservation Contract (Continued)

B Maximum Debt Reduction for a Delinquent Borrower (Continued)

\*--(4) Subtract the market value of the contract acres calculated in paragraph (i)(3) of this section from the FLP debt secured by the contract acres as calculated in paragraph--\*(i)(2) of this section.

$$\frac{\text{Result from (i)(2)}}{\text{Result from (i)(2)}} - \frac{\text{Result from (i)(3)}}{\text{Result from (i)(3)}} = \frac{\text{Difference}}{\text{Difference}}$$

(5) Select the greater of the amounts calculated in paragraphs (i)(3) and (i)(4) of this section.

(6) The lesser of the amounts calculated in paragraphs (i)(2) and (i)(5) of this section will be the maximum amount of debt reduction for a 50-year contract term.

(7) The borrower will receive 60 percent of the amount calculated in paragraph (i)(6) of this section for a 30-year contract term.

$$\frac{\text{Result from (i)(6)}}{\text{Result from (i)(6)}} \times 60\% = \frac{\text{Maximum debt cancellation for a 30-year term}}{\text{Maximum debt cancellation for a 30-year term}}$$

(8) The borrower will receive 20 percent of the amount calculated in paragraph (i)(6) of this section for a 10-year contract term.

$$\frac{\text{Result from (i)(6)}}{\text{Result from (i)(6)}} \times 20\% = \frac{\text{Maximum debt cancellation for a 10-year term}}{\text{Maximum debt cancellation for a 10-year term}}$$

**Example:** A delinquent borrower has a 1,000-acre farm. All 1,000 acres are pledged as security for FO. The unpaid FLP loan balance is \$100,000 (principal, interest, and recoverable costs already paid by FSA). The \* \* \* market value of the farm is \$150,000. The contributory value of structural improvements is \$20,000. The borrower proposes to set aside 100 acres for a 30-year FSA-2535.

Step 1. 100 acres ÷ 1,000 acres = 10 percent

Step 2. \$100,000 x 10 percent = \$10,000

Step 3. (\$150,000-\$20,000) x 10 percent = \$13,000

Step 4. \$10,000 - \$13,000 = -\$3,000

Step 5. The greater of steps 3 and 4 is \$13,000

Step 6. Maximum amount of debt reduction for a 50-year contract term: the lesser of steps 2 and 5 is \$10,000

Step 7. Maximum debt cancellation for a 30-year term: \$10,000 x 60 percent = \$6,000

Step 8. Maximum debt cancellation for a 10-year term: \$10,000 x 20 percent = \$2,000

**195 Conservation Contract Review Team (Continued)****E Conservation Management Plan**

**[7 CFR 766.110(e)] The Agency, through the recommendations of the Conservation Contract review team, is responsible for approving a conservation management plan.**

Within 30 calendar days of visiting a farm, the conservation contract review team should submit a report to FSA indicating whether a conservation contract is appropriate given the nature of the land. The report must address:

- how many conservation eligible tracts could be established on the farm
- each tract's approximate boundaries, which may extend beyond wetland, highly erodible land, upland, and wildlife habitat if necessary for either the establishment of identifiable contract boundaries or for the efficient management of the tract
- each tract's land type
- the eligible conservation purposes that could be established on the tract.

The report must indicate any special terms or conditions that FSA would need to place on FSA-2535 because of unique or important features that would not be adequately addressed by the standard contract terms and conditions.

The conservation contract review team must develop a management plan for each conservation eligible tract. The management plans should:

- include detailed instructions on establishing and maintaining the conservation easement
- estimate the costs to the borrower involved in establishing and maintaining the conservation easement.

The management plan should specifically recommend whether public recreational use and public hunting should be allowed and justify these recommendations.

\*--Each conservation contract review team member must sign the report. Any dissenting--\* opinions should be included in the report.

**F FSA's Review of Conservation Contract Review Team's Report**

The conservation contract review team sends the finished report to the authorized agency official servicing the borrower's account. The authorized agency official must review the report for consistency with FSA requirements and goals. See subparagraphs 195 G and H for more information on processing FSA-2535 after reviewing the conservation contract review team's report.

**195 Conservation Contract Review Team (Continued)****G Actions After Reviewing Conservation Contract Review Team Report**

The authorized agency official reviews the completed conservation contract review team report. If the report recommends a conservation contract, the authorized agency official determines the boundaries for each contract eligible area by the most appropriate method including, but not limited to, rectangular surveys, aerial photographs, or GPS waypoints. FSA does not require a professional survey of the contract area, but one can be used where FSA determines one is needed.

The authorized agency official must determine the costs that the borrower will incur to create and maintain each contract eligible conservation area. Before signing FSA-2535, FSA must ensure that a borrower has sufficient funds to create and maintain a conservation area.

For a delinquent or distressed borrower, the authorized agency official must determine which areas recommended in the report enable the borrower to develop a feasible plan. The authorized agency official should have determined through earlier financial analysis the contract term and minimum number of acres that must be set aside to enable the borrower to develop a feasible plan. The authorized agency official must rerun DALR\$ to verify that each contract eligible area enables the borrower to develop a feasible plan.

For a current borrower who is not distressed, the farm operation must remain feasible after FSA-2535 is implemented.



**322 Processing a Buyout at Current Market Value****A Notifying Borrower of Buyout**

The authorized agency official will notify the borrower of the opportunity to buyout the FSA loans at current market value by sending the borrower FSA-2521 and FSA-2522 or FSA-2523 and FSA-2524 by certified mail, return receipt requested.

**B Timeframe for Borrower to Pay Buyout Amount**

**[7 CFR 766.113(b)] After the Agency offers current market value buyout of the loan, the borrower has 90 days from the date of Agency notification to pay that amount.**

If the borrower exercises the right to an independent appraisal, negotiation of appraisal, reconsideration, mediation, or appeal, the 90-calendar-day time limit will start on the day the borrower receives the final Agency and/or NAD decision.

**C Processing Buyout Payment**

If the borrower accepts FSA's buyout offer, the borrower must pay the entire buyout amount \*--according to 4-FLP, subparagraph 65 F. The buyout amount will be established by processing a 3Q transaction in ADPS. The payment will be submitted as a miscellaneous--\* collection according to 3-FI. The borrower's security instruments will be released according to 4-FLP, subparagraph 65 F. The borrower's original promissory notes will be marked "satisfied at current market value" and returned to the borrower.

**D Borrower Nonresponse or Inability to Pay Current Market Value**

If the borrower does not accept FSA's buyout offer and FSA has a lien on the home of the borrower or any person that pledged their home as collateral, homestead protection will continue to be processed according to Part 7. If the borrower does not elect or is not eligible for homestead protection or does not pay the FLP account current, FSA will, after conclusion of all appeals, accelerate the borrower's account according to Part 15.

The borrower can also still apply for debt settlement according to RD Instruction 1956-B.

**323-340 (Reserved)**



### 343 Determining Amount of Shared Appreciation Due

#### A Determining Whether Shared Appreciation Is Due

The authorized agency official will obtain a current appraisal of real estate security covered by a shared appreciation agreement if any of the events listed in paragraph 342 occur.

#### B Partial Sale of Shared Appreciation Security

**[7 CFR 766.202(b)] In the event of a partial sale, an appraisal of the property being sold may be required to determine the market value at the time the SAA was signed if such value cannot be obtained through another method.**

If the borrower sells only a portion of the real estate security before the maturity of a shared appreciation agreement, recapture is due on the tract that is sold. FSA may require 1 or more appraisals to determine the amount of recapture that may be due from the partial sale. SED may issue a State supplement to identify the appropriate method to be used based upon the following examples.

**Example 1:** The borrower has 400 acres of similar farm ground, with no buildings, that secure the shared appreciation agreement. Four years after signing the shared appreciation agreement, the borrower decides to sell 100 acres, 25 percent of the total acres. FSA obtains an appraisal on the entire 400 acres as described in 1-FLP, Part 6. The authorized agency official compares the contributory value of the 100 acres (25 percent of the current appraisal) to the contributory value at the time of the write-down (25 percent of the appraisal done at the time of the write-down).

**Example 2:** The borrower has 400 acres with a house and outbuildings that secure the shared appreciation agreement. Four years after signing the shared appreciation agreement, the borrower decides to sell 100 acres with no buildings. FSA obtains an appraisal on the 100 acres being sold and on the entire 400 acres. The authorized agency official compares the 2 appraisals and determines the percentage of value of the 100 acres. The authorized agency official then applies this percentage to the appraised value at the time of write-down to determine the value of the 100 acres at the time of the write-down.

**Example 3:** The borrower has 400 acres that secure the shared appreciation agreement. Four years after signing the shared appreciation agreement, the borrower decides to sell 2 acres in a corner of the farm for a residence. FSA obtains a \*--current appraisal on the 2 acres, and an appraisal of the 2 acres as of the--\* date of the write-down. The authorized agency official then compares the 2 appraisals to determine the amount of appreciation due on the 2 acres.

## 343 Determining Amount of Shared Appreciation Due (Continued)

## C Calculating Shared Appreciation

**[7 CFR 766.202(a)] The value of the real estate security at the time of maturity of the SAA (market value) shall be the appraised value of the security at the highest and best use, less the increase in the value of the security resulting from capital improvements added during the term of the SAA (contributory value). The market value of the real estate security property will be determined based on a current appraisal completed within the previous 12 months in accordance with § 761.7 (1-FLP, Part 6) of this chapter, and subject to the following:**

**[7 CFR 766.202(a)] (1) Prior to completion of the appraisal, the borrower will identify any capital improvements that have been added to the real estate security since the execution of the SAA.**

Approximately 6 months before the maturity of the shared appreciation agreement and before the completion of the appraisal, FSA will contact the borrower with FSA-2544 to determine whether any capital improvements have been added to the security during the term of the shared appreciation agreement.

**[7 CFR 766.202(a)] (2) The appraisal must specifically identify the contributory value of capital improvements made to the real estate security during the term of the SAA to make deductions for that value.**

**[7 CFR 766.202(a)] (3) For calculation of shared appreciation recapture, the contributory value of capital improvements added during the term of the SAA will be deducted from the market value of the property. Such capital improvements must also meet at least one of the following criteria:**

**[7 CFR 766.202(a)(3)] (i) It is the borrower's primary residence. If the new residence is affixed to the real estate security as a replacement for a residence which existed on the security property when the SAA was originally executed, or, the living area square footage of the original residence was expanded, only the value added to the real property by the new or expanded portion of the original residence (if it added value) will be deducted from the market value.**

**Example:** At the time of the write-down the contributory value of a house on the property was \$60,000. The house was destroyed by fire and replaced with a house that cost \$150,000. However, the contributory value of the new house at the time the shared appreciation agreement matured was \$170,000 because of appreciation. The value added to the real property in this case is \$110,000. (\$170,000 value of the new house at maturity – \$60,000 value of the old house at the time FSA-2543 was executed.)

**\*--Part 11 Bankruptcies, Civil and Criminal Cases, and Judgments--\*****Section 1 Bankruptcy****401 FSA Actions When Borrower Files for Bankruptcy****A Suspending Loan Servicing**

If a borrower files bankruptcy, the authorized agency official will suspend all pending special servicing and collection actions, but will continue to monitor the account and conduct regular servicing to protect the interests of the Government.

**B Flagging the Account**

\*--Upon notification that the borrower has filed bankruptcy, the authorized agency official will flag the account as “BAP” by using FSA-2562 and processing a 5G ADPS transaction. The “BAP” flag will remain on the account until the 1 of the following occurs:

- bankruptcy is dismissed
- borrower is discharged, no longer under court jurisdiction, and FSA has no remaining loan collateral from which collection can be made
- the case has been closed.--\*

**Note:** A “51-S” flag must be removed with a 5H ADPS transaction before a “BAP” flag can be established.

**C Notifying the Borrower’s Attorney of Loan Servicing Options if Borrower Was Not Previously Notified**

**[7 CFR 766.301] If a borrower files for bankruptcy, the Agency will provide written notification to the borrower’s attorney with a copy to the borrower as follows:**

**(a) The Agency will provide notice of all loan servicing options available under Subpart C (Part 3) of this part, if the borrower has not been previously notified of these options.**

Within 15 calendar days of receiving a notice of bankruptcy, the authorized agency official will send the borrower and the borrower’s attorney Exhibit 34, the appropriate notice according to subparagraph 67 A, and the response form, by certified mail, return receipt requested. If the borrower does **not** have an attorney, the borrower only will receive the FSA forms.

**401 FSA Actions When Borrower Files for Bankruptcy (Continued)****D Notifying the Borrower's Attorney of Servicing Options if the Borrower Was Previously Notified**

**[7 CFR 766.301(b)] If the borrower received notice of all loan servicing options available under Subpart C (Part 3) of this part prior to the time of bankruptcy filing but all loan servicing was not completed, the Agency will provide notice of any remaining loan servicing options available.**

If FSA notified the borrower of primary loan servicing before the borrower filed for bankruptcy and some servicing options are still available, the authorized agency official will send Exhibit 34 and the appropriate servicing forms along with any required application forms to the borrower and the borrower's attorney (if the borrower has no attorney, then all notifications and timeframes will apply to the borrower only) explaining what options remain. Servicing and servicing timeframes suspended on the date the borrower files for bankruptcy resume on the date the attorney receives Exhibit 34. If no servicing options remain, send Exhibit 34 to inform the borrower and attorney that no primary loan servicing options remain.

If the borrower or borrower's attorney does not request any remaining servicing options, the authorized agency official will not take any further action to liquidate the account until the stay is lifted and they are notified by the State Office.

**E Referring a Bankruptcy to the State Office**

The authorized agency official will inform the State Office of any developments in the borrower's bankruptcy case, but will take no action against the security unless directed by SED.

SED should issue a State supplement describing what information is to be forwarded to the State Office in the event of a borrower filing bankruptcy. SED may issue additional State supplements as required to comply with State laws with Regional OGC guidance/advice.--\*

**Part 13 Voluntary Liquidation****461 General Requirements****A Voluntary Sale of Property**

**[7 CFR 766.352(a)] A borrower may voluntarily sell real property or chattel security to repay Agency debt in lieu of involuntary liquidation if all applicable requirements of this section are met. Partial dispositions are handled in accordance with part 765, subparts G and H (4-FLP, Part 7) of this chapter.**

**(1) The borrower must sell all real property and chattel that secure Agency debt until the debt is paid in full or until all security has been liquidated.**

There are several types of voluntary liquidation including sale, transfer, and conveyance of security. This part addresses voluntary sale of real property and chattel security. Voluntary conveyance is discussed in detail in Part 14 and transfers in 4-FLP, Part 9.

**B Notifying the Borrower**

With Agency approval, a current borrower may initiate voluntary liquidation at any time.

For a borrower in monetary or nonmonetary default, FSA will notify the borrower of the default according to Part 3. The authorized agency official will work with a borrower in default to voluntarily liquidate security; however, the authorized agency official will not delay FSA's required servicing, acceleration, and involuntary liquidation to accommodate the borrower's liquidation efforts.

## 462 Voluntary Liquidation of Real Property

### A Approval Request

[7 CFR 766.352(a)(2)] The Agency must approve the sale and approve the use of proceeds.

The borrower must:

- complete and sign FSA-2060 with the assistance of the authorized agency official
- provide a sales contract for the property indicating the price and terms of the sale
- sell the property for not less than the \* \* \* market value unless FSA is being paid in full.

### B Title Search

The authorized agency official will conduct a new lien search if adequate title information is not available in the borrower's case file. The purpose of the search is to:

- determine the liens of other parties on the property and their effect on liquidation
- ensure proper distribution of sale proceeds.

The borrower pays the cost of all title searches or it will be charged to the borrower's account \*--if they are unable to pay. The authorized agency official will obtain a title search according to the procedures used in the State where the property is located. SED will issue a State--\* supplement as appropriate.

### C Appraisal and Disposition of Collateral Proceeds

FSA will appraise the property according to 1-FLP, Part 6 to determine the property's market value only after receipt of a sales contract. Any sale proceeds received by the borrower over and above the FSA-determined \* \* \* market value must be applied to the borrower's FSA debt until the FSA loans secured by the collateral are paid in full. The authorized agency official will apply sale proceeds \* \* \* according to 4-FLP, Part 5.



**463 Closing the Sale of Real Property (Continued)****B Release of Liens**

If the proceeds pay the borrower's FSA debts in full, FSA will release its liens and return  
\*--the appropriate documents to the borrower according to 4-FLP, paragraph 65.--\*

**C Remaining Balance**

**[7 CFR 766.352(a)(5)] If an unpaid loan balance remains after the sale, the Agency will continue to service the loan in accordance with subpart B of 7 CFR part 1956.**

\*--If the proceeds do not pay the borrower's FSA debts in full, FSA will continue to service the borrower's account. Exhibit 44 will be mailed to the borrower 45 calendar days after all security is liquidated, all primary loan servicing options have been exhausted, and the account is accelerated. The borrower must apply for debt settlement within 30 calendar days of the date Exhibit 44 is sent or FSA will refer the account to the Department of Treasury--\* for cross-servicing. See RD Instruction 1956-B for information on debt settlement.

**464 Voluntary Liquidation of Chattel****A Methods of Voluntary Liquidation**

\*--[7 CFR 766.352(b)] **If the borrower complies with paragraph (a) (paragraphs 461 through 463) of this section, the borrower may sell chattel security by:--\***

**[7 CFR 766.352(b)] (1) public sale if the borrower obtains the agreement of lienholders as necessary to complete the public sale; or**

For a public sale, the borrower must assist the authorized agency official in completing FSA-2571 and revising FSA-2040. FSA-2571 can be completed to give FSA custodial possession (not ownership) of the collateral or as an agreement for the borrower to sell the property.

**[7 CFR 766.352(b)] (2) private sale if the borrower:**

**(i) Sells all of the security for not less than the market value;**

**(ii) Obtains the agreement of lienholders as necessary to complete the sale;**

**(iii) Has a buyer who is ready and able to purchase the property; and**

**(iv) Obtains the Agency's agreement for the sale.**

For a private sale, the borrower must assist the authorized agency official in completing FSA-2571 and FSA-2040. The authorized agency official must document the reasons a public sale is not in FSA's best interest. If the account is in default, servicing will continue without delay.

**464 Voluntary Liquidation of Chattel (Continued)****B Lien Search**

The authorized agency official will obtain a lien search on the security being sold unless accurate and complete lien information is available in the borrower's case file. The purpose of the search is to:

- determine the liens of other parties on the property and their effect on liquidation
- ensure proper distribution of sale proceeds.

The borrower will pay the cost of all lien searches. See 3-FLP, Part 11 on conducting a lien search. SED may issue a State supplement as appropriate.

**C Appraisal**

FSA will appraise the property according to 1-FLP, Part 6 if the borrower pursues a private sale. FSA will not generally appraise chattel property to be sold at public auction.

**D Sales That Do Not Satisfy the Borrower's Debt**

If the estimated net sale proceeds of the property will not fully pay a borrower's secured debts, but the sale price is at least equal to the market value of the security, the authorized agency official may approve the sale. If the borrower submits a debt settlement application with the sale request, the authorized agency official will forward the file to SED with the documentation required by RD Instruction 1956-B.

**E Approving the Sale**

The authorized agency official may attend the sale at their discretion and must contact the auctioneer or clerk of the sale to ensure proper distribution of the sale proceeds.

**F Rejecting the Sale Request**

If the authorized agency official does not approve the request for sale, the borrower will be notified in writing of the reasons for not approving the sale and offered appeal rights according to 1-APP.

**465 Closing the Sale of Chattel****A Processing the Sale Proceeds**

The auctioneer or clerk of sale will distribute the sale proceeds according to lien priority as specified on FSA-2571.

After the sale, the authorized agency official will:

- record the transaction and credit the borrower's account
- record the sale of chattel on FSA-2040
- apply the proceeds from the sale to the borrower's FSA loan account according to 4-FLP, Part 5.

**B Release of Liens**

If the proceeds pay the borrower's FSA debts in full, FSA releases its liens and returns the appropriate documents to the borrower according to 4-FLP, paragraph 65.

**C Remaining Balance**

If the proceeds do not pay the borrower's FSA debt in full, FSA will continue to service the \*--borrower's account. Exhibit 44 will be mailed to the borrower 45 calendar days after all security is liquidated, all primary loan servicing options are exhausted, and the account is accelerated. The borrower must apply for debt settlement within 30 calendar days of the date Exhibit 44 is sent or FSA will refer the account to the Department of Treasury for--\* cross-servicing. See RD Instruction 1956-B for information on debt settlement.

**466-480 (Reserved)**



**500 Closing the Real Property Conveyance (Continued)****D Crediting the Borrower's Account**

**[7 CFR 766.353(d)(2)] The Agency will credit the borrower's account for the amount of the market value of the property less any prior liens, or the debt, whichever is less. In the case of an American Indian borrower whose loans are secured by real estate located within the boundaries of a Federally recognized Indian reservation, however, the Agency will credit the borrower's account with the greater of the market value of the security or the borrower's Agency debt.**

If the market value is equal to or greater than the borrower's account balance, including prior liens and all other recoverable costs, and always in the case of an American Indian borrower that meets the criteria in this subparagraph, the conveyance satisfies the account. The authorized agency official will stamp the notes "Satisfied by Surrender of Security and Borrower Released from Liability," and return them to the borrower with a copy of FSA-2570 showing FSA's acceptance.

If the conveyance does not satisfy the account, the authorized agency official will credit the \*--borrower's account for the market value of the loan collateral, less prior liens, and provide--\* the borrower a copy of FSA-2570 showing FSA's acceptance of the conveyance.

After a voluntary conveyance of security is closed and no FSA security remains under its security instruments, FSA liens of record are released according to 4-FLP, Part 5.

**500 Closing the Real Property Conveyance (Continued)**

**E Final Processing**

After FSA acquires the property, the authorized agency official will:

- record the property and assign it an ID number in ADPS
- complete a 3E transaction in ADPS as an advice of property acquired transaction

**Note:** The date of acquisition is the date the deed to FSA is recorded.

- complete a 5L transaction in ADPS as an acquired property maintenance transaction

**Note:** The date of acquisition is the date the deed to FSA is recorded.

- prepare an inventory account file according to Part 19. The certificate of title obtained by FSA will be placed in this file.

**501-515 (Reserved)**

**537 Acceleration of Loans to American Indians With Real Estate Security on an Indian Reservation**

**A Acceleration of Loans to American Indian Borrowers**

**[7 CFR 766.356] (a)(1) The Agency accelerates loans to American Indian borrowers whose real estate is located on an Indian reservation in accordance with this section, unless State law imposes separate restrictions on accelerations.**

**(2) The Agency accelerates all of the borrower's loans at the same time, regardless of whether each individual loan is delinquent or not.**

**(3) All borrowers must receive prior notification in accordance with subpart C of this \*--part (Part 3), except for borrowers who fail to graduate in accordance with § 766.101(a)(8) (subparagraph 66 A).--\***

**(4) At the time of acceleration, the Agency will notify the borrower and the Tribe that has jurisdiction over the Indian reservation of:**

**(i) The possible outcomes of a foreclosure sale and the potential impacts of those outcomes on rights established under paragraphs (a)(4)(ii) and (iii) of this section;**

**(ii) The priority for purchase of the property acquired by the Agency through voluntary conveyance or foreclosure;**

**(iii) Transfer of acquired property to the Secretary of the Interior if the priority of purchase of the property established under paragraph (a)(4)(ii) of this section is not exercised.**

**(b) The Agency will notify an American Indian borrower of the right to:**

**(1) Request the Tribe, having jurisdiction over the Indian reservation in which the real property is located, be assigned the loan;**

**(i) The Tribe will have 30 days after the Agency notification of such request to accept the assignment of the loan.**

**537 Acceleration of Loans to American Indians With Real Estate Security on an Indian Reservation (Continued)****A Acceleration of Loans to American Indian Borrowers (Continued)**

**(ii) The Tribe must pay the Agency the lesser of the outstanding Agency indebtedness secured by the real estate or the market value of the property.**

**(iii) The Tribe may pay the amount in a lump sum or according to the rates, terms and \*--requirements established in part 770 of this chapter (6-FLP, Part 2, Section 3), subject--\* to the following:**

**(A) The Tribe must execute the promissory note and loan documents within 90 days of receipt from the Agency;**

**(B) Such loan may not be considered for debt writedown under 7 CFR part 770.**

**(iv) The Tribe's failure to respond to the request for assignment of the loan or to finalize the assignment transaction within the time provided, shall be treated as the Tribe's denial of the request.**

**(2) Request the loan be assigned to the Secretary of the Interior. The Secretary of the Interior's failure to respond to the request for assignment of the loan or to finalize the assignment transaction, shall be treated as denial of the request;**

**(3) Voluntarily convey the real estate property to the Agency;**

**(i) The Agency will conduct a environmental review before accepting voluntary conveyance.**

**(ii) The Agency will credit the account with the greater of the market value of the real estate or the amount of the debt.**

**(4) Sell the real estate;**

**(i) The buyer must have the financial ability to buy the property.**

**(ii) The sale of the property must be completed within 90 calendar days of the Agency's notification.**

**(iii) The loan can be transferred and assumed by an eligible buyer.**



**537 Acceleration of Loans to American Indians With Real Estate Security on an Indian Reservation (Continued)**

**A Acceleration of Loans to American Indian Borrowers (Continued)**

**(5) Pay the Agency debt in full.**

**(6) Consult with the Tribe that has jurisdiction over the Indian reservation to determine if State or Tribal law provides rights and protections that are more beneficial than those provided under this section.**

**(c) At the time of acceleration, the Agency will notify the Tribe that has jurisdiction over the Indian reservation in which the property is located, of the:**

**(1) Sale of the American Indian borrower's property;**

**(2) Market value of the property;**

**(3) Amount the Tribe would be required to pay the Agency for assignment of the loan.**

**(d) The Agency may accept a payment that does not cover the unpaid balance of the accelerated loan if the borrower is in the process of selling security, unless acceptance of the payment would reverse the acceleration.**

**\*--(e) The Agency will liquidate the borrower's account in accordance with § 766.357 (Part 16) if:--\***

**(1) The borrower does not pay the account in full within the time period specified in the acceleration notice;**

**(2) The borrower does not voluntarily convey the property to the Agency;**

**(3) Neither the Tribe nor the Secretary of the Interior accepts assignment of the borrower's loan.**

**537 Acceleration of Loans to American Indians With Real Estate Security on an Indian Reservation (Continued)**

**B General Requirements**

CONACT requires FSA to provide certain American Indian borrowers notification of additional opportunities or alternatives for resolution of their FSA real estate secured debt before final FSA action to liquidate this real estate through foreclosure. These actions only apply to American Indian borrowers whose real estate security is 1 of the following:

- located within a Federally Recognized Indian Reservation
- trust or restricted land located within the boundaries of a former reservation of a Federally Recognized Indian Tribe in Oklahoma
- on Indian allotments, the Indian titles to which have not been extinguished if such allotments are subject to the jurisdiction of a Federally Recognized Indian Tribe.

\*--CONACT requires that this group of borrowers be notified of the right to do either of the following:

- request FSA to assign notes and security instruments either to the Secretary of Interior, if the Secretary is willing to accept the assignment, or to the Tribe with jurisdiction over the reservation in which the property is located, if the Tribe agrees to accept the assignment
- voluntarily convey the security to FSA
- sell the real estate (766.356(b)(4)).

Notification of these additional rights will take place along with the acceleration of a loan.--\*

\* \* \*

**537 Acceleration of Loans to American Indians With Real Estate Security on an Indian Reservation (Continued)**

**C Notification**

\*--Exhibit 52 shall be used to accelerate all loans of American Indian borrowers that are secured by land located within a reservation, and to notify those borrowers of their rights.

Exhibit 53 shall be used to notify the Tribe of available options.

Exhibit 54 provides additional/detailed information on borrower rights under existing law and FSA regulation and must be attached to each Exhibit 52.--\*

**D Responsibilities**

The authorized agency official responsible for servicing the American Indian borrower's account must do the following:

- ensure that all loan servicing actions and any appeals have been concluded or exhausted before sending Exhibit 52
- notify the borrower by sending Exhibit 52 and Exhibit 54

**Notes:** DD must sign Exhibit 52.

SED must have approved the foreclosure before Exhibits 52 and 54 are sent.

- notify the Tribe by sending Exhibit 53, of any Exhibit 52 sent to a borrower who has pledged as collateral reservation land within such Tribe's jurisdiction.

SED must not permit acceleration on or foreclosure of any direct FLP loans held by American Indian borrowers, unless authority is granted by the National Office on a--\* case-by-case basis. This restriction is based on the unresolved "Class Action Complaint" filed in U.S. District Court for the District of Columbia alleging acts of discrimination against American Indian farmers by FSA.

537 Acceleration of Loans to American Indians With Real Estate Security on an Indian Reservation (Continued)

E FLM Responsibilities

FLM's shall, upon receipt of a request from an American Indian borrower, do the following.

- If the borrower requests that the Tribe be assigned the loan, FLM shall notify the Tribe of \*--the borrower's request using Exhibit 55.

**Notes:** The Tribe must notify FSA within 30 calendar days of its intention to accept or deny the borrower's request.

The notification to the Tribe shall include a copy of the following:

- current appraisal of the real estate and valuations of all chattel security
- borrower's promissory notes to be assigned
- security instruments
- amount the Tribe would be required to pay FSA for assignment of the loan or loans

**Note:** This amount shall equal the lesser of the market value of all loan security or the principal and interest outstanding on the loan.

- a statement that the Tribe may pay for the assignment transaction over a period of time under terms and conditions similar to ITLAP.
- If the borrower requests that the Secretary of Interior be assigned the loan, FLM shall refer the request, along with a copy of each of the following, through SED, to the National Office:
  - current appraisal of remaining FSA security
  - borrower's promissory notes
  - all security instruments.

**Notes:** FLM shall forward the request and documentation to either of the following:

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• for USPS delivery:<br/>USDA, FSA, DAFLP, LSPMD<br/>STOP 0523<br/>1400 INDEPENDENCE AVE SW<br/>WASHINGTON DC 20250-0523</li> </ul> | <ul style="list-style-type: none"> <li>• for Federal Express delivery:<br/>USDA, FSA, DAFLP, LSPMD<br/>1250 MARYLAND AVE SW<br/>STE 500<br/>WASHINGTON DC 20024<br/>Telephone: 202-720-6293.</li> </ul> |
|--|---|

The National Office will work with the National Office of BIA to determine--\* whether the Secretary of Interior will accept the assignment of the loan.

537 Acceleration of Loans to American Indians With Real Estate Security on an Indian Reservation (Continued)

E FLM Responsibilities (Continued)

\*--FLM shall notify the borrower that the request has been forwarded. FLM shall notify the borrower of the Tribe or Secretary of the Interior’s decision as follows.

IF the...	THEN...
decision of the Tribe or the Secretary of Interior is to accept the borrower’s loan assignment request	FLM shall notify the borrower using Exhibit 56.
Secretary of Interior has accepted the assignment	borrower’s loan will be assigned to the Secretary of Interior pursuant to National Office instructions.--*
Tribe has indicated that it will accept an assignment of the loan and will seek to pay for the transaction over a period of time	<p>FLM shall send the Tribe, for the Tribe to execute within 90 calendar days, FSA-2026 payable to FSA in exchange for the assignment of the loan, as well as any other loan documents required by FSA to finance this debt under rates and terms similar to an ITLAP loan, including an assignment of Tribal income as security for the Tribe’s loan. FSA-2026 shall be prepared with the consideration amount as determined under this paragraph and with rates and terms similar to an ITLAP loan.</p> <p><b>Note:</b> All ITLAP servicing options may be applied to these loans, except any write down servicing options.</p>
Tribe has timely executed and returned the documents described in this paragraph	FLM shall send to the Tribe all original borrower promissory notes and mortgages being assigned, along with any other relevant security instruments. Agency documents provided to the Tribe shall be prepared, endorsed, processed, and delivered pursuant to guidance from the regional OGC.
decision of the Tribe or the Secretary of Interior is not to accept the assignment of the loan	<p>FLM shall:</p> <ul style="list-style-type: none"> <li>• notify the borrower using Exhibit 57</li> <li>• proceed with foreclosure action according to Part 16.</li> </ul> <p><b>Note:</b> Failure of the Tribe to respond to a request that the Tribe accepts an assignment of the loan, or to finalize the loan assignment transaction within the time provided in this paragraph, shall be treated as a denial of the request.</p>

FLM shall keep copies of all letters or documents sent or received in the borrower’s loan file.

**537 Acceleration of Loans to American Indians With Real Estate Security on an Indian Reservation (Continued)**

**\*--F FLM, or FSC, FLOO Responsibilities--\***

FLM or FSC, FLOO shall do the following.

- FSC, FLOO shall process all transactions related to the assignment of an American Indian account to a Tribe or the Secretary of Interior upon receipt of a transmittal letter from the servicing office accompanied by copies of the assignment agreement and promissory notes that are assigned.
- The servicing office transmittal letter must provide to FSC, FLOO the \* \* \* market value of the security assigned, number of acres under FSA security instruments, and amount of the annual installments to be paid by the Tribe under any ITLAP rate and term financing provided. If the Tribe pays the full assignment consideration price in cash (up front) as opposed to ITLAP rate and term financing, the servicing office transmittal letter will notify FSC, FLOO accordingly, including the information from the payment transmittal record.

\* \* \*

- FSC, FLOO will close out the American Indian borrower's FSA loan account and no \*--further FSA servicing action will be required in cases where the Secretary of Interior accepts the assignment.--\*
- If the Tribe has accepted the assignment of the borrower's loan and has given FSA a new FSA-2026 for the purchase of the loan, payments received by FSA on a new Tribal loan taken to pay the assignment will follow the same guidelines currently used for regular ITLAP payment processing.

**538-550 (Reserved)**

**Part 19 Management of Inventory Real Property****721 Preparing the Inventory Property File****A Documenting the Borrower's File and Creating the Inventory Property File**

\*--When FSA acquires real property, the authorized agency official will determine, according to 25-AS, paragraph 88, if the direct loan borrower's file should be closed. If the file is eligible to be closed, the file will be labeled, maintained, and disposed of according to 25-AS, paragraph 89 and applicable notices. Once FSA acquires title to the property as evidenced--\* by a recorded deed, the authorized agency official creates an inventory property file.

**722 Securing and Repairing Inventory Real Property****A General Policy**

When FSA acquires inventory real property, the authorized agency official secures the property, takes steps to prevent public trespassing, and attempts to preserve the value of the property.

**B Determining Necessary Services**

When FSA acquires property, the authorized agency official inspects the property to determine whether services are necessary to secure the property, maintain the property's value, and place the property in marketable condition. FSA makes repairs according to the following conditions.

- FSA may repair essential farm service buildings and facilities to make the property marketable.
- FSA may repair inventory properties to remove health and safety hazards if such repairs are in FSA's best interest.
- FSA may make repairs to properties that are listed on or are eligible for listing on the National Register of Historic Places as necessary to protect the properties' historic integrity. FSA consults with the appropriate State Historic Preservation Officer or Tribal Historic Preservation Officer to determine whether repairs are necessary.
- On inventory real property located in a floodplain or other hazardous area, FSA may take steps as necessary to prevent:
  - loss of life
  - imminent damage to the property
  - disruption of utility service.

**722 Securing and Repairing Inventory Real Property (Continued)****C Developing Repair Specifications and Completing Repairs**

The authorized agency official submits repair specifications to the State Contracting Officer along with justification for all repairs deemed necessary. FSA may contract with a vendor to prepare repair specifications for larger or more complex repairs.

**D Determining Necessity of Management Services**

The authorized agency official, with the assistance of DD and State Office program staff as necessary, selects the methods for managing inventory property.

The appropriate management methods and requirements depend on the number of properties involved, density of their location, market conditions, and other applicable factors.

FSA management tools include, but are not limited to:

- individual management contracts to secure an individual property, cut the grass, winterize a dwelling, or provide a similar service for a specific property
- simple management contracts to provide maintenance and other services for a group of properties
- blanket-purchase arrangement contracts to obtain a variety of services for any or all FSA inventory properties.

**E Arranging Management Contracts**

FSA may contract for services according to the Federal Acquisition Regulations. The authority to obtain management services is addressed in 1-FLP, paragraph 161 and 1-FLP, Exhibit 26. The authorized agency official contacts the State Contracting Officer to arrange for management contracts.

**F Charging Expenses to the Inventory Account**

FSA charges expenses associated with managing inventory property to the inventory account according to 1-FLP, Part 7.



## Part 21 Disposal of Inventory Property

## 776 General Policies

**\*--A Initiating the Sale of Property to Beginning Farmers or Socially Disadvantaged Farmers**

**[7 CFR 767.151] Subject to § 767.152 (paragraph 777), the Agency will attempt to sell its inventory property as follows:**

**(a) The Agency will combine or divide inventory property, as appropriate, to maximize the opportunity for beginning farmers or socially disadvantaged farmers to purchase real property.**

**(b) The Agency will advertise all inventory real property that can be used for any authorized FO loan purpose for sale to beginning farmers or socially disadvantaged farmers no later than 15 days after the Agency obtains title to the property.--\***

When FSA acquires inventory real property and the authorized agency official confirms that the property satisfies the applicable general policies in this paragraph, the authorized agency official initiates the sale of the property. \* \* \* For most inventory property, the authorized agency official must begin advertising the property for sale within 15 calendar days of title acquisition.

**\*--FSA offers inventory property to beginning farmers or socially disadvantaged farmers before considering sale of the property to the general public. Therefore, FSA directs its initial sale efforts toward eligible beginning farmers or socially disadvantaged farmers. FSA must complete the process of selling inventory property to a beginning farmer or socially disadvantaged farmer within 135 calendar days from the acquisition date of the inventory property.**

Real property shall be advertised for sale to the general public according to subparagraph 776 D, if the property meets 1 of the following criteria:

- is not sold in response to the advertisement to a beginning farmer, socially disadvantaged farmer, or prevailing claimant
- cannot be used for agricultural purposes
- cannot be used to carry out the objectives of financing available through the applicable loan program.--\*

The authorized agency official begins sale procedures by advertising the farm property for sale according to paragraph 781.

## 776 General Policies (Continued)

**\*--B Determining Beginning Farmer or Socially Disadvantaged Farmer Eligibility**

When the authorized agency official receives applications to purchase the inventory property, the authorized agency official reviews each application to determine whether the applicant meets the beginning farmer or socially disadvantaged farmer eligibility requirements--\* according to 3-FLP, Part 4.

If the authorized agency official determines that an applicant is not eligible, the applicant is notified of the determination and that the applicant may request an expedited review of this determination by SED. This request for review must be made within 15 calendar days of the determination of eligibility.

SED's review must take place within 30 calendar days of the ineligibility determination. SED's review decision is final and is not administratively appealable.

**\*--C Selection of Purchasers Among Eligible Beginning Farmers and Socially Disadvantaged Farmers**

**[7 CFR 767.151(c)] If more than one eligible beginning farmer or socially disadvantaged farmer applies, the Agency will select a purchaser by a random selection process open--\* to the public.**

**(1) All applicants will be advised of the time and place of the selection.**

**(2) All drawn offers will be numbered.**

**(3) Offers drawn after the first will be held in suspense pending sale to the successful applicant.**

**(4) Random selection shall be final and not subject to administrative appeal.**

\*--If more than 1 eligible beginning farmer or socially disadvantaged farmer applies to--\* purchase the inventory property, the authorized agency official randomly selects the purchaser. The random selection must be held in public.

The authorized agency official informs all eligible applicants of the time and place of the selection. The authorized agency official must document that FSA contacted each applicant before the selection.

## 776 General Policies (Continued)

**\*--C Selection of Purchasers Among Eligible Beginning Farmers and Socially Disadvantaged Farmers (Continued)--\***

The authorized agency official records the names in order of selection and retains all applications pending the sale to the first selected purchaser. If the first selected purchaser cannot develop a feasible plan to purchase the property or withdraws from the sale process before the property is sold or leased, then, at the conclusion of any appeal, the authorized

**\*--agency official notifies the second selected beginning farmer or socially disadvantaged farmer applicant and proceeds with sale to that applicant. This process continues until FSA leases or sells the property to an eligible beginning farmer or socially disadvantaged farmer applicant or until no applicants remain.--\***

The authorized agency official notifies all applicants in writing of the outcome of the random selection.

**D Selling to the General Public**

**\*--[7 CFR 767.151(d)] If there are no offers from beginning farmers or socially disadvantaged farmers, the Agency will offer to sell inventory property by auction or sealed bid to the general public no later than 165 days after the Agency obtains title to the property. All bidders will be required to submit a 10 percent deposit with their bid.**

If the authorized agency official has no offers from beginning farmers or socially disadvantaged farmers within 135 calendar days of acquisition, the authorized agency--\* official attempts to sell the property to the general public. For inventory property under lease, FSA initiates sale of the property within 60 calendar days after the lease expires or is terminated.

The authorized agency official sells real property through a sealed bid sale or, when appropriate, at a public auction.

For a sealed bid sale, FSA selects the best qualified offer meeting FSA's minimum acceptable price and closes the sale with the selected offer or according to paragraph 782.

At a public auction, FSA sells the property to the highest bidder according to paragraph 783.

FSA may re-advertise the sale of the property to the general public. The advertisement must meet the guidelines described in paragraph 781. FSA may advertise to the general public

**\*--within the same advertisement directed to beginning farmers or socially disadvantaged--\*** farmers. SED may issue a State supplement to provide guidance on whether the authorized agency official must publish a separate advertisement or 1 combined advertisement.

## 776 General Policies (Continued)

**E Negotiated Sale**

**[7 CFR 767.151(e)] If the Agency receives no acceptable bid through an auction or sealed bid, the Agency will attempt to sell the property through a negotiated sale at the best obtainable price.**

The authorized agency official may seek guidance from SED to determine the lowest price below the property's appraised value FSA should accept through a negotiated sale.

FSA will conduct a negotiated sale in a manner which results in the best return to FSA. Negotiated sales can be advertised locally or on the internet. The notice can be part of the advertisement for the sealed bid, or contacts can be made by telephone, letter or personal contact. Care should be taken to ensure that the appropriate pool of buyers is aware of the sale. As an example, recreational lands should be advertised where recreational buyers will see the ads. The time and place for the negotiated sale should be posted. All parties that have expressed an interest in participating also should be notified. Negotiations can take place simultaneously by telephone and in person. All interested parties should be allowed to raise offers until such time as the agency approval official determines that no additional benefit will result from asking for higher offers. If the price offered represents the best price obtainable as determined by SED or their designee, the agency approval official is authorized to accept the offer by executing FSA-2592 with the highest offeror and receipt of 10 percent earnest money in the form of a cashiers check. This check should be received within 24 hours of offer acceptance.

**784 Real Property Securing FSA Credit Located in a Federally Recognized Indian Reservation****A General Requirements**

\*--This paragraph applies under the following conditions.--\*

- The real property securing FSA credit is located within the boundaries of a Federally recognized Indian reservation.
- The borrower is a member of the tribe that has jurisdiction over the reservation.

FSA handles real property located within an Indian reservation formerly owned by nontribal entities or nontribal members as regular inventory property and **not** according to this paragraph.

**B Notifying the Tribe**

Not later than 90 calendar days after acquiring the inventory property, FSA notifies the Indian tribe that has jurisdiction over the reservation by Exhibit 71 of the opportunity to \*--purchase the property or enter into a lease not to exceed 5 years with the option to purchase at the end of the lease term. FSA sells or leases inventory property in an established priority--\* order to:

- a member of the Indian tribe that has jurisdiction over the reservation
- an Indian corporate entity
- the Indian tribe.

The Indian tribe that has jurisdiction over the reservation may revise the priority order and may restrict the buyer eligibility and opportunity within this list.

**C Failure to Sell the Property**

\*--If FSA is unable to sell or lease the property according to subparagraph B, then SED will--\* transfer the property to the Secretary of the Interior. SED, in consultation with OGC, may develop a process and operating guidelines for transferring property to the Secretary of the Interior. FSA protects any important resources on the property according to Part 22.

**785-800 (Reserved)**



## Reports, Forms, Abbreviations, and Delegations of Authority

### Reports

This table lists all required reports in this handbook.

Reports Control Number	Title	Reporting Period	Submission Date	Negative Reports	Reference
	Statute of Limitations	Quarterly	5th of each month	No	126

### Forms

This table lists the forms referenced in this handbook.

Number	Title	Display Reference	Reference
AD-1026	Highly Erodible Land Conservation (HELIC) and Wetland Conservation (WC) Certification		81
FSA-137	Address Information Request		67, 386
FSA-1956-21	List of Currently Not Collectible (CNC) Debts Eligible to Be Referred to Treasury for Cross-Servicing		433
FSA-2001	Request for Direct Loan Assistance		81, 344
FSA-2002	Three-Year Financial History		81
FSA-2003	Three-Year Production History		81
FSA-2025	Notice of Approval, Terms and Conditions and Borrower Responsibilities		346
FSA-2026	Promissory Note		Text
FSA-2027	Supplemental Payment Agreement		161
FSA-2029	Mortgage/Deed of Trust		Text
FSA-2037	Farm Business Plan Worksheet Balance Sheet		81
FSA-2038	Farm Business Plan Worksheet Projected/Actual Income and Expenses		81
FSA-2040	Agreement and Record of the Disposition of FSA Security/Release of Proceeds		464, 465, 582
FSA-2060	Application for Partial Release, Subordination, or Consent		462, 463
FSA-2070	Bill of Sale		516, 517, 519
FSA-2080	Release From Personal Liability		84
FSA-2489	Assumption Agreement		Text
FSA-2501	Addendum to the Promissory Note or Assumption Agreement for the Disaster Set-Aside Program		44-46, 48

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

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2510	Notice of Availability of Loan Servicing to Borrowers Who Are 90 Days Past Due		3, 67, 83, 85, 405, 702
FSA-2511	Borrower Response to Notice of the Availability of Loan Servicing		81, 405, 702
FSA-2512	Notice of Availability of Loan Servicing to Borrowers Who Are Current, Financially Distressed, or Less Than 90 Days Past Due		3, 67, 85, 102
FSA-2513	Borrower Response to Notice of the Availability of Loan Servicing		81
FSA-2514	Notice of Availability of Loan Servicing to Borrowers Who Are in Non-Monetary Default		3, 67, 83, 85, 444, 702
FSA-2515	Borrower Response to Notice of the Availability of Loan Servicing for Borrowers Who Received Form FSA-2514		81, 444, 702
FSA-2516	30 Day Reminder of the Notice of Availability of Loan Servicing		83
FSA-2517	Offer of Primary Loan Servicing for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116
FSA-2518	Acceptance of Primary Loan Servicing for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116
FSA-2519	Offer of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116
FSA-2520	Acceptance of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116
FSA-2521	Denial of Primary Loan Servicing and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116, 229, 322
FSA-2522	Borrower Response to Denial of Primary Loan Servicing and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116, 229, 322



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

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2523	Denial of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116, 229, 322
FSA-2524	Borrower Response to Denial of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116, 229, 322
FSA-2525	Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Did Not Apply for Servicing or Did Not Accept Servicing		85
FSA-2526	Borrower Response to and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Did Not Apply for Servicing or Did Not Accept Servicing		85
FSA-2529	Negotiated Appraisal Agreement		230
FSA-2535	Conservation Contract		Text
FSA-2537	Notification of Consideration for Homestead Protection		281
FSA-2538	Response to Notification of Consideration for Homestead Protection for Borrowers Who Received FSA-2537		281
FSA-2539	Homestead Protection Program Agreement		283, 284
FSA-2540	Notice of the Availability of Homestead Protection – Post Acquisition		281, 568
FSA-2543	Shared Appreciation Agreement		Text
FSA-2544	Shared Appreciation Agreement Recapture Appraisal Notice		343, 344
FSA-2545	Borrower Notification of Shared Appreciation		344
FSA-2547	Shared Appreciation Agreement Recapture Reamortization		67
FSA-2548	Shared Appreciation Agreement Recapture Reamortization 2nd Notice		67
FSA-2550	Report of Problem Case		421, 533
FSA-2551	Evidence of Conversion, Fraud, or Waste		421
FSA-2560	Request for Statement of Account		536

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

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2561	Statement of Account		536
FSA-2562	Borrower Account Description Flag		67, 401, 534, 567
FSA-2570	Offer to Convey Security		284, 496, 497, 499, 500, 516, 517
FSA-2571	Agreement for Voluntary Liquidation of Chattel Security		464, 465, 516, 518, 581
FSA-2572	Agreement of Secured Parties to Sale of Security Property		581
FSA-2574	Confirmation Reorganization Plan Worksheet		404, 406
FSA-2576	Notice of Judgment		567, 568, 582, 604
FSA-2580	Primary and Preservation Loan Servicing Checklist		67, 533
FSA-2581	Inequitable Treatment Review Data		533
FSA-2585	Acquisition or Abandonment of Secured Property		708, Ex. 66
FSA-2587	Advice of Property Acquired		568, 743
FSA-2588	Acquired Property Maintenance		568
FSA-2591	Lease of Real Property		281, 284, 568, 743
FSA-2592	Invitation, Bid and Acceptance Sale of Real Property by the United States		776, 778, 782
FSA-2593	Standard Sales Contract Sale of Real Property by the United States		778
FSA-2594	Advice of Inventory Property Sold		778
FSA-2595	Quitclaim		778
FSA-2596	Bill of Sale "A" (Sale of Government Property)		780
FSA-2597	Farm Programs Noncash Credit for Purchase of Easement		197
NRCS-CPA-026	Highly Erodible Land and Wetland Conservation Determination		81
RD 1956-1	Application for Settlement of Indebtedness		82, 406, 496, 497, 516, 517, 581

## Reports, Forms, Abbreviations, and Redelegations 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>
ADPS	Automated Discrepancy Processing System	Text
BAP	Bankruptcy Action Pending	3
CNC	currently not collectible	126, 433
CONACT	Consolidated Farm and Rural Development Act	1, 193, 537, Ex. 2
DALR\$	Debt and Loan Restructuring System	Text, Ex. 4, 17
DSA	disaster set-aside	Text
EE	economic emergency loan	41, 131, 145
EM	emergency loan	41, 131, 145, 385
FBP	Farm Business Plan	81, 127, 344
FLC	Farm Loan Chief	126, Ex. 52, 53, 55, 56, 57
FLM	Farm Loan Manager	Text
FO	farm ownership loan	41, 145, 193, 444, 776, 778
FSC, FLOO	Financial Services Center, Farm Loan Operations Office	Text
HML	high, medium, low	901
ITLAP	Indian Tribal Land Acquisition Program	2, 537
LR	limited resource	132, 146
MAC	Management of Agricultural Credit	44, 46, 362, 404
NP	nonprogram loan	Text
NRBRA	Net Recovery Buyout Recapture Agreement	321, 361, 363, 365
NRV	net recovery value	102, 321
OL	operating loan	41, 131, 780
RD	Rural Development	Text
RH	rural housing	Ex. 79
RHF	rural housing loan for farm service buildings	41, 145
RL	recreation loan	41, 131, 145
SA	shared appreciation loan	66, 67, 102, 145, 146, 191, 346
SAA	subject to approval adjustment	404, 406
SEC	State Environmental Coordinator	802, 821, 837, 839
SOL	Statute of Limitations	126, 127
ST	softwood timber loan	41
SW	soil and water loan	41, 131, 145
TOP	Treasury Offset Program	126, 431-433, Ex. 2
YL	youth loan	41, 42, 68, 132

## Re delegations of Authority

None.



Notice to Borrower's Attorney About Loan Servicing Options

\*--

5-FLP, Exhibit 34

This Exhibit may only be revised by SED.

(Use Agency Letterhead format with local return address.)

Notice to Borrower's Attorney Regarding Loan Servicing Options

\_\_\_\_\_  
\_\_\_\_\_

RETURN ADDRESS

Borrower's Attorney's Address

Dear

This letter provides important information which the Farm Service Agency (FSA) requests you to provide to your client \_\_\_\_\_ who has filed a bankruptcy petition, or is currently under the jurisdiction of the bankruptcy court. Your client was also sent a copy of this letter. Subject to the applicable provisions of the Bankruptcy Code and FSA regulations, FSA may take action to enforce its security instrument given by \_\_\_\_\_ as security for an FSA loan. However, your client may be able to cure one or all of the problems indicated below so that it will not be necessary for FSA to enforce its security instrument.

Loan payments are \$ \_\_\_\_\_ past due.

Your client has disposed of some of the property used to secure the FSA loans. Your client did not get written approval for this action. This property is:

\_\_\_\_\_  
\_\_\_\_\_

Your client has breached the agreements contained in the security instrument executed by your client in favor of FSA by taking the following actions: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Your client has failed to make the required payments under a confirmed bankruptcy plan.

Your client has

\_\_\_\_\_  
\_\_\_\_\_

Before FSA can act to enforce its security instruments, its regulations require FSA to provide borrowers with notice of servicing options. The enclosed forms explain the loan servicing options that FSA has available. **THIS NOTICE WILL BE YOUR CLIENT'S ONLY OPPORTUNITY TO APPLY FOR THESE SERVICING OPTIONS. YOUR CLIENT WILL NOT BE RENOTIFIED OF ANY ADDITIONAL SERVICING OPTIONS WHILE UNDER THE PROTECTION OF THE BANKRUPTCY COURT.** Depending upon the prior servicing and previous loan history, your client may not be eligible for servicing consideration or may be eligible for only certain servicing options. The following servicing options are available:

\_\_\_\_\_  
\_\_\_\_\_

--\*

Notice to Borrower's Attorney About Loan Servicing Options (Continued)

\*--

5-FLP, Exhibit 34

This letter advises you that FSA can only consider eligibility for the remaining servicing options listed above, if any, and only within FSA's statutory and regulatory eligibility requirements. If there are servicing options available and your client wishes to apply for either primary or preservation loan servicing, you or your client must complete and return the enclosed application forms and any request for updated information, within   \* days of receipt of this notice. By this response, you will be acknowledging that when FSA processes your client's request for loan servicing it is not interfering with any rights or protections your client may have under the Bankruptcy Code and its automatic stay provisions. FSA's processing of the application may include considering your client for primary and preservation loan servicing options, notifying your client of FSA's decision on the application in accordance with 7 CFR part 766, and holding any mediation, meetings or appeals requested by your client. If your client fails to complete and return the required information within the   \* -day period, FSA will proceed to enforce its security instrument as allowed under the Bankruptcy Code and FSA regulations.

To ascertain whether your client is eligible for any remaining options, it may be necessary for FSA to work closely with your client. If your client requests this contact we hope that we can assist him or her. However, if favorable action is not possible, FSA will notify you, and provide your client with the opportunity to appeal the decision. FSA WILL NOT ACCELERATE THE ACCOUNT OR INITIATE FORECLOSURE UNTIL FSA COMPLIES WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE.

--\*

**Notice to Borrower's Attorney About Loan Servicing Options (Continued)**

\*--

**5-FLP, Exhibit 34**

If your client is discharged in a Chapter 7 bankruptcy, your client must reaffirm the entire FSA debt in accordance with the provisions of the Bankruptcy Code in order to receive FSA primary loan servicing. Reaffirmation requires the approval of the Bankruptcy Court. No reaffirmation is necessary for your client to be eligible for preservation loan servicing.

If your client is operating under a confirmed bankruptcy plan, and desires to apply for loan servicing and qualifies for servicing under FSA's regulations, you must also comply with provisions of the Bankruptcy Code practiced in your jurisdiction concerning modification of the plan. If your client's plan has not yet been confirmed by the Bankruptcy Court, you may choose to file a proposed plan which may or may not contain restructuring features similar to those available under FSA regulations. The Government, of course, is free to object to the proposed plan in accordance with the provisions of the Bankruptcy Code. If a plan is confirmed before servicing and any appeal is completed under FSA regulations, FSA will complete the servicing or appeals process, and may consent to a post-confirmation modification of the plan, if appropriate, in accordance with advice from FSA's legal counsel.

FSA's loan servicing regulation is found at 7 CFR part 766. FSA cannot promise you or your client that a request for loan servicing will be approved. However, FSA can promise that a request for any loan servicing options which remain will be fully and fairly considered.

Sincerely,

Attachments

cc: [Borrower's name]

\* Indicate 60 days or time period remaining from last servicing action, whichever is greater.

--\*





**Notice Advising of Potential for Referral to Treasury for Cross-Servicing and the Availability of Debt Settlement**

\*--

5-FLP, Exhibit 44

(Use Agency Letterhead format with local return address.)

**NOTICE ADVISING OF POTENTIAL FOR REFERRAL TO TREASURY FOR CROSS-SERVICING AND THE AVAILABILITY OF DEBT SETTLEMENT**

Dear

Farm Service Agency (FSA) records show that you owe debt totaling \$ \_\_\_\_\_ with daily interest accrual of \$ \_\_\_\_\_. In accordance with the Debt Collection Act, 31 U.S.C. Chapter 37, FSA is prepared to refer your debt to the U.S. Department of Treasury (Treasury) for collection through cross-servicing. Referral of debt to Treasury for cross-servicing is not an appealable action. If your debt is referred for cross-servicing, Treasury may:

- take action to collect the debt by offset or garnishment, including offset of tax refunds and garnishment of salary,
- refer the debt to a private collection agency for collection, or
- refer the debt for collection by the U.S. Department of Justice.

Collection fees may be charged to you when collections are made. In addition, FSA will report the debt to a credit bureau.

FSA will refer your debt for cross-servicing unless you submit RD 1956-1, "Application for Settlement of Indebtedness," to this office within 30 days from the date of this letter. A copy of this form is included. All statements made on the RD 1956-1 must be accurate and will be subject to verification. If you submit a debt settlement application and the application is rejected, your account will be referred to Treasury for cross-servicing after all appeal rights on the debt settlement application are exhausted.

FSA has several programs which could allow you to settle the remaining debt for less than the total amount due. You must be unable to pay your FSA debt in full. The following programs are subject to FSA's discretion and are not a matter of entitlement or right.

- 1) Compromise Offer - A lump-sum payment of less than the total debt owed.
- 2) Adjustment Offer - A series of payments of less than the total debt owed paid over a maximum of five years.
- 3) Cancellation - The final settlement of a debt without any payment. FSA must verify that there is no income or other assets from which the Government can collect. You must be unable to pay any part of the debt now or in the future.

NOTE: FSA will not finance a compromise or adjustment offer.

--\*

**Notice Advising of Potential for Referral to Treasury for Cross-Servicing and the Availability of Debt Settlement (Continued)**

\*--

**5-FLP, Exhibit 44**

If FSA refers your account to Treasury, any debt settlement offer must be submitted to Treasury, or its contracted private collection agency. If Treasury refers your account to the Department of Justice for collection, your offer must be made to the Department of Justice.

If you have any questions about this letter, please contact this office at (local office phone number).

Sincerely,

(Agency Official)

--\*

**\*--Notice of Acceleration of Farm Loan Programs Accounts Secured by Real Estate and/or Chattels in Cases Not Involving Bankruptcy**

5-FLP, Exhibit 49

This Exhibit may only be revised by SED with concurrence of OGC.

(Use Agency Letterhead format with local return address.)

**NOTICE OF ACCELERATION OF FARM LOAN PROGRAMS ACCOUNTS SECURED BY REAL ESTATE AND/OR CHATTELS IN CASES NOT INVOLVING BANKRUPTCY**

CERTIFIED MAIL RETURN  
RECEIPT REQUEST  
<Return Receipt Number>

[Date]

(Borrower)  
(Co-Borrower)  
(Address)  
City, State Zip code

Subject: NOTICE OF ACCELERATION OF YOUR DEBT TO THE FARM SERVICE AGENCY AND DEMAND FOR PAYMENT OF THAT DEBT

Dear :

PLEASE NOTE that the entire indebtedness due on the promissory notes and/or assumption agreements which evidence the loans received by you from the United States of America, acting through the Farm Service Agency, United States Department of Agriculture is now declared immediately due and payable. They are described as follows:

Debt Instrument	Date of Instrument	Original Amount
-----------------	--------------------	-----------------

The promissory notes or assumption agreements are secured by real estate mortgages, deeds of trust, security agreement, and financing statements, etc., described and perfected as follows:

Security Instrument	Date	Recording Office	Recording Information
---------------------	------	------------------	-----------------------

--\*

**\*--Notice of Acceleration of Farm Loan Programs Accounts Secured by Real Estate and/or Chattels in Cases Not Involving Bankruptcy (Continued)**

5-FLP, Exhibit 49

This acceleration of your indebtedness is made in accordance with the authority granted in the above-described instruments.

The reasons for the acceleration of your indebtedness are as follows:

The indebtedness due is \$\_\_\_\_\_ unpaid principal, and \$\_\_\_\_\_ unpaid interest, as of \_\_\_\_\_, plus additional interest accruing at the rate of \$\_\_\_\_\_ per day thereafter, plus any advances made by the United States for the protection of its security and interest accruing on any such advances and any shared appreciation. Unless full payment of your indebtedness is received made by one of the methods described below within 30 days from the date of this letter, the United States will foreclose the above described security instruments and pursue any other available remedies.

Full payment may be made in any of the following ways:

A) CASH

Payment should be made by cashier's check, certified check, or postal money order payable to the Farm Service Agency and delivered to the Farm Loan Manager of the Farm Service Agency at \_\_\_\_\_. If you submit to the United States any payment insufficient to pay the account in full or insufficient to comply with any arrangements agreed to between the Farm Service Agency and yourself, that payment WILL NOT CANCEL the effect of this notice. If such insufficient payments are received and credited to your account, no waiver or prejudice of any rights which the United States may have for breach of any promissory note or covenant in the security instruments will result and the Farm Service Agency may proceed as though no such payment had been made.

B) TRANSFER AND ASSUMPTION

You may transfer the collateral for your loans to someone who is willing and able to assume the debt. Contact the Farm Loan Manager immediately if you are interested in this.

C) SALE

You may sell the collateral for your loans for its market value and send the proceeds to FSA or to other creditors with liens prior to FSA's lien. Contact the Farm Loan Manager immediately if you are interested in this.

\*D) VOLUNTARY CONVEYANCE

You may convey all of your collateral to the Government. Contact the Farm Loan Manager immediately if you are interested in this.

--\*

**\*--Notice of Acceleration of Farm Loan Programs Accounts Secured by Real Estate and/or Chattels in Cases Not Involving Bankruptcy (Continued)**

5-FLP, Exhibit 49

\*\* The above-described security instruments provide that the United States may foreclose without court action by selling the property at public sale after \_\_\_\_\_. The Government intends to sell the property in this manner.

\*\*\* If you have not been advised of your rights to request deferral of payments or other servicing options you should contact the Farm Loan Manager at the above mentioned address within 15 days of the receipt of this notice.

If you fail to comply with the requirements outlined in this notice within the next 30 days, the United States plans to proceed with foreclosure/liquidation.

YOU DO NOT HAVE ANY RIGHT TO APPEAL THIS DECISION TO ACCELERATE YOUR FSA DEBTS.

***UNITED STATES OF AMERICA***

***BY:*** \_\_\_\_\_  
District Director  
Farm Service Agency  
United States Department of Agriculture

\*This will be included as an option only if it would be in the Government's financial interest to accept a voluntary conveyance offer.

\*\*This paragraph will be omitted in States with judicial foreclosure or if it conflicts with State law.

\*\*\* This paragraph will be omitted when accelerating accounts for failure to graduate or accelerating accounts of Non-Program Loan debtors.

--\*



**Notice of Intent to Foreclose on Your Property Serving as Security for the United States of America and Acceleration of Your Loan Accounts**

\*--

5-FLP, Exhibit 50

This Exhibit may only be revised by SED with concurrence of OGC.

(Use Agency Letterhead format with local return address.)

CERTIFIED MAIL RETURN  
RECEIPT REQUEST  
<Return Receipt Number>

[Date]

(Borrower)  
(Co-Borrower)  
(Address)  
City, State Zip code

**NOTICE OF INTENT TO FORECLOSE ON YOUR PROPERTY SERVING AS SECURITY  
FOR THE UNITED STATES OF AMERICA AND ACCELERATION OF YOUR LOAN  
ACCOUNTS**

Dear (Borrower):

The United States of America intends to enforce its (real estate mortgages, deeds of trust, security agreements, etc.) given or assumed by you as security for your loans. The security instruments referred to above as described below were perfected as follows:

Security Instrument	Date	Recording Office	Recording Information

The security instruments executed by you in favor of the United States are not affected by a discharge in bankruptcy and the security can still be foreclosed upon or liquidated to satisfy the secured debt, although a discharge under the Bankruptcy Code does render any debt discharged unenforceable as your personal obligation. If the proceeds from the sale are not sufficient to pay off the debt, the United States will not seek a personal judgment against you for any deficiency. This letter is not intended as an act to collect or recover any debt from you for which your personal obligation has been discharged, but rather is intended to inform you that the United States intends to collect as much of the secured debt as possible from the property which serves as security for the loans made to you. In order to do so, it is necessary for your loans to be accelerated. Therefore, pursuant to the terms of the debt instruments, the United States is now exercising its option to declare your entire debt immediately due and payable. **Any Farm Loan Programs family living and farm operating expenses which you may be receiving are hereby terminated.**

The reasons for taking this action are as follows:

[If the loan account is in monetary default, list this as one reason for accelerating. If the loan account is not in monetary default, OGC must advise. ]

--\*



**Notice of Intent to Foreclose on Your Property Serving as Security for the United States of America and Acceleration of Your Loan Accounts (Continued)**

\*--

5-FLP, Exhibit 50

The debt instruments are described as follows:

Debt Instrument	Date of Instrument	Original Amount

The United States will not file its foreclosure action or liquidate its security, under the authority granted in the above-described instruments, for 30 days. During that period you may purchase the property for the market value, which the Farm Service Agency has appraised to be \$\_\_\_\_. Payment should be made by cashier's check, certified check, or postal money order payable to the Farm Service Agency and delivered to the county official at \_\_\_\_\_.

\*You may not stop the foreclosure by paying an amount less than the market value.

\*\* The above-described security instruments provide that the United States may foreclose without court action by selling the property at public sale after \_\_\_\_\_. The Government intends to sell the property in this manner.

YOU DO NOT HAVE ANY RIGHT TO APPEAL THIS DECISION TO ACCELERATE YOUR FSA DEBTS.

**UNITED STATES OF AMERICA**

**BY:** \_\_\_\_\_  
District Director  
Farm Service Agency  
United States Department of Agriculture

\*This sentence can only be used with the approval of the Regional OGC.

\*\*This paragraph will be omitted in States with judicial foreclosure or if it conflicts with State law.

---\*



**Notice of Acceleration of Your Debt to the Farm Service Agency Based on Confirmed  
Bankruptcy Plan and Demand for Payment of That Debt**

\*--

5-FLP, Exhibit 51

This Exhibit may only be revised by SED with concurrence of OGC.

(Use Agency Letterhead format with local return address.)

CERTIFIED MAIL RETURN  
RECEIPT REQUEST  
<Return Receipt Number>

[Date]

(Borrower)  
(Co-Borrower)  
(Address)  
City, State Zip code

**NOTICE OF ACCELERATION OF YOUR DEBT TO THE FARM SERVICE  
AGENCY BASED ON CONFIRMED BANKRUPTCY PLAN AND DEMAND FOR  
PAYMENT OF THAT DEBT**

Dear (Borrower):

PLEASE TAKE NOTE that the entire indebtedness due under the Chapter \_\_\_\_\_ Plan confirmed on \_\_\_\_\_ in Bankruptcy Case No. \_\_\_\_\_ which evidences the loans received by you from the United States of America, acting through the Farm Service Agency (FSA), United States Department of Agriculture is now declared immediately due and payable. The obligation set out in the Chapter \_\_\_\_\_ Plan is described as follows:

Date of Obligation	Amount
--------------------	--------

The amounts set out in the confirmed Chapter \_\_\_\_\_ Plan are secured by real estate mortgages, deeds of trust, security agreements, financing statements, etc. described (perfected) as follows:

Security Instrument	Date	Recording Office	Recording Information
------------------------	------	------------------	--------------------------

The acceleration of your indebtedness is made in accordance with the authority granted in the above-described instruments. Although, this is not an acceleration of your debt owed to FSA prior to confirmation of the Chapter \_\_\_\_\_ Plan, it is fully effective to accelerate the debt as set out in the Chapter \_\_\_\_\_ Plan.

--\*

**Notice of Acceleration of Your Debt to the Farm Service Agency Based on Confirmed  
Bankruptcy Plan and Demand for Payment of That Debt (Continued)**

\*--

5-FLP, Exhibit 51

The reasons for the acceleration of your indebtedness are as follows:

[If debt under the confirmed Chapter \_\_\_ Plan is in monetary default, list this as one of the reasons. If the debt is not in monetary default, obtain concurrence of OGC before acceleration.]

The indebtedness due as a result of your Chapter \_\_\_\_\_ Plan is \$\_\_\_\_\_ unpaid principal, and \$\_\_\_\_\_ unpaid interest, as of \_\_\_\_\_ plus additional interest accruing at the rate of \$\_\_\_\_\_ per day thereafter, plus any advances made by the United States for the protection of its security and interest accruing on any such advances. Unless full payment of your indebtedness is received, made by one of the methods described below, within 30 days from the date of this letter, the United States will foreclose the above described security instruments and pursue any other available remedies.

Full payment may be made in any of the following ways:

(A) CASH

Payment should be made by cashier's check, certified check, or postal money order payable to the Farm Service Agency and delivered to the FSA Farm Loan Manager at \_\_\_\_\_. If you submit to the United States any payment insufficient to pay the account in full or insufficient to comply with any arrangements agreed to between FSA and yourself, that payment WILL NOT CANCEL the effect of this notice. If such insufficient payments are received and credited to your account, no waiver of prejudice of any rights which the United States may have for breach of any promissory note or debt evidenced by your confirmed Chapter \_\_\_\_\_ Plan or covenant in the security instruments will result and FSA may proceed as though no such payment had been made.

(B) TRANSFER AND ASSUMPTION

Subject to FSA approval, you may transfer the collateral for your debt to someone who is eligible for FSA assistance and is willing and able to assume the debt. Contact the Farm Loan Manager immediately if you are interested in this.

(C) SALE

You may sell the collateral for your loans for its market value and send the proceeds to FSA to or other creditors with liens prior to FSA's lien. Contact the Farm Loan Manager immediately if you are interested in this.

--\*

**Notice of Acceleration of Your Debt to the Farm Service Agency Based on Confirmed  
Bankruptcy Plan and Demand for Payment of That Debt (Continued)**

\*--

5-FLP, Exhibit 51

\*(D) VOLUNTARY CONVEYANCE

You may convey all of your collateral to the Government. Contact the Farm Loan Manager immediately if you are interested in this.

\*\*The above-described security instruments provide that the United States may foreclose without Court action by selling the property at public sale after \_\_\_\_\_. The Government intends to sell the property in this manner.

\*\*\*If you have not been advised of your rights to request deferral of payments or other servicing options you should contact the Farm Loan Manager at the above-mentioned address within 15 days of the receipt of this notice.

If you fail to comply with the requirements outlined in this notice within the next 30 days, the United States plans to proceed with foreclosure/liquidation.

YOU DO NOT HAVE ANY RIGHT TO APPEAL THIS DECISION TO ACCELERATE YOUR FSA DEBTS.

UNITED STATES OF AMERICA

[Name]  
[District Director]  
Farm Service Agency  
United States Department of Agriculture

CC: SED\FLC  
FLM

\*This will be included as an option only if it would be in the Government's financial interest to accept a voluntary conveyance offer.

\*\*This paragraph will be omitted in States with judicial foreclosure or if it conflicts with State law.

\*\*\*This paragraph will be omitted when accelerating accounts for failure to graduate or accelerating accounts of non-program loan debtors.

--\*



**Notice of Acceleration for FLP Accounts Held by American Indian Borrowers and Secured by Real Estate Located Within a Recognized Reservation and Borrower Rights**

\*--

5-FLP, Exhibit 52

This Exhibit may only be revised by SED with concurrence of OGC.

(Use Agency Letterhead format with local return address.)

CERTIFIED MAIL RETURN  
RECEIPT REQUEST  
<Return Receipt Number>

[Date]

**NOTICE OF ACCELERATION FOR FLP ACCOUNTS HELD BY AMERICAN INDIAN  
BORROWERS AND SECURED BY REAL ESTATE LOCATED WITHIN A RECOGNIZED  
RESERVATION AND BORROWER RIGHTS**

Borrower  
Co-Borrower  
Address of Borrower  
City, State, Zip

Subject: NOTICE OF ACCELERATION OF YOUR DEBT TO THE FARM SERVICE  
AGENCY, DEMAND FOR PAYMENT, AND NOTICE OF ADDITIONAL RIGHTS  
PRIOR TO FORECLOSURE

Dear (Borrower):

The entire indebtedness you owe to Farm Service Agency (FSA) evidenced by the promissory notes and assumption agreements described below is now declared immediately fully due and payable. Such promissory notes and assumption agreements are described as follows:

<u>Type of Instrument</u>	<u>Date of Instrument</u>	<u>Amount</u>
---------------------------	---------------------------	---------------

These promissory notes and assumption agreements are secured by real estate mortgages, deeds of trust, financing statements, security agreements, etc. described as follows:

<u>Type of Instrument</u>	<u>Date of Instrument</u>	<u>Place of Recordation (Filing)</u>
---------------------------	---------------------------	--------------------------------------

<u>Recorded In:</u>	<u>Book No.</u>	<u>Record under Document No.</u>
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This acceleration of your indebtedness is made in accordance with the authority granted in the above-described instruments.

--\*

**Notice of Acceleration for FLP Accounts Held by American Indian Borrowers and Secured by Real Estate Located Within a Recognized Reservation and Borrower Rights (Continued)**

\*--

5-FLP, Exhibit 52

The reason for the acceleration of your indebtedness is as follows:  
(If the borrower is in monetary default, list this as one reason for accelerating. If the borrower is not in monetary default, obtain concurrence of OGC before acceleration.)

The indebtedness due is \$\_\_\_\_\_ unpaid principal, and \$\_\_\_\_\_ unpaid interest, as of \_\_\_\_\_, plus additional interest accruing at the rate of \$\_\_\_\_\_ per day thereafter, plus any advances made by FSA for the protection of its security and interest accruing on any such advances. Unless full repayment of your indebtedness is received through one, or a combination, of the methods described below within 60 calendar days from the date of this letter, FSA will foreclose the above described security instruments and pursue any other available legal means to resolve your remaining indebtedness.

Under section 335(e) of the Consolidated Farm and Rural Development Act (CONACT) (7 U.S.C. 1985(e)), you are entitled to receive notification from FSA of additional rights available to you for liquidation or settlement of your FSA loan account prior to United States Government completion of a legal foreclosure sale of your FSA-secured real estate. This letter lists those additional CONACT rights. This letter also lists other alternatives you may wish to utilize to resolve your indebtedness to FSA.

If you wish to pursue an alternative to legal foreclosure, you must inform this office in writing within 60 calendar days of this letter specifying which of the following settlement or liquidation alternative, or combination of alternatives, you wish to pursue:

**Alternative A:** You may request the Tribe, having jurisdiction over the reservation in which the real property is located, be assigned the loan from FSA. FSA will forward your assignment request along with all other applicable loan information for Tribal consideration and determination.

If the Tribe agrees to accept the assignment within 30 calendar days after FSA notifies the Tribe of your request, the following will occur:

1. FSA will not foreclose the loan because of any default that occurred before the date of assignment.
2. The Tribe will pay FSA the lesser of the amount owed on the debt or the market value of the real estate that secures the loan in exchange for the assignment of your loan to the Tribe. The Tribe may pay for the purchase of the loan assignment over time under terms and conditions similar to an Indian Tribal Land Acquisition Program (ITLAP) loan. Note that ITLAP servicing options may be available except that ITLAP write down servicing options are not available for this loan.
3. If the Tribe agrees to accept the assignment of your loan, your loan will be assigned to the Tribe. Your future payments will be made to the Tribe and future servicing will be done by the Tribe. FSA will no longer be responsible for the collection or servicing of your loan. The Tribe does not have to agree to the assignment.

--\*



**Notice of Acceleration for FLP Accounts Held by American Indian Borrowers and Secured by Real Estate Located Within a Recognized Reservation and Borrower Rights (Continued)**

\*--

5-FLP, Exhibit 52

**Alternative B:** You may request that your loan be assigned to the Secretary of Interior. If you request this option, FSA will send your loan information to the Secretary of Interior for review. If the Secretary of Interior agrees to accept the assignment of your loan, your loan will be assigned to the Secretary of Interior, and FSA will no longer be responsible for the collection or servicing of your loan. The Secretary of Interior does not have to accept your request for the assignment of your loan.

**Alternative C:** You may voluntarily convey the security to FSA. Subject to acceptable environmental review, you can deed your property to FSA and FSA will credit your account with the market value of the property or the total debt, whichever is greater. Under this alternative, you will lose your property but will no longer owe a debt to FSA.

**Additional Alternatives**

**Alternative D:** You may sell the property to a buyer of your choice.

1. You still retain the right to sell your property to a buyer of your choice for cash, as long as the price you receive for such sale is not less than the market value.
2. Your chosen property buyer must have the financial ability to buy the property within a reasonable period of time. In most cases, the sale of your property should be completed within 90 calendar days of your notification to FSA of your selection of this option.
3. You can sell the property to a buyer of your choice by transferring your ownership of your property and transferring the obligation of your FSA indebtedness, if your chosen buyer qualifies for loan transfer under FSA regulations, and if the property is sold for a price that is not less than its market value. This process is referred to as "transfer and assumption".

**Alternative E:** You may pay your FSA indebtedness in full. All FSA borrowers are entitled to fully repay the entire indebtedness they owe to FSA at any time, unless a legal action has occurred that prevents or supersedes FSA enforcement of its loan instruments.

**WARNING:** If you wish to pursue settlement or liquidation of your FSA indebtedness through one, or a combination, of the alternatives presented in this letter, your written request, including which alternatives you want, must be received by FSA within **60** calendar days of this letter. If you do not respond to this letter within 60 calendar days, FSA will continue to foreclose on your property. While FSA will not delay the actions necessary to initiate and process a legal foreclosure proceeding beyond the 60 calendar days offered in this letter, FSA will consider your requested account resolution alternatives as authorized, if they can be completed BEFORE a scheduled foreclosure sale.

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**Notice of Acceleration for FLP Accounts Held by American Indian Borrowers and Secured by Real Estate Located Within a Recognized Reservation and Borrower Rights (Continued)**

\*--

5-FLP, Exhibit 52

If you have not been advised of your rights to request deferral of payments or other servicing options, you should contact the Farm Loan Manager at the above mentioned address within 15 calendar days of the receipt of this letter. (\*\*Note: Omit this paragraph when accelerating accounts for failure to graduate or accelerating accounts of Non-Program Loan debtors.)

YOU DO NOT HAVE ANY RIGHT TO APPEAL THIS DECISION TO ACCELERATE YOUR FSA DEBT.

In accordance with the requirements of section 335(e) of the CONACT (7 U.S.C. 1985(e)), a copy of this letter and FSA's determination of the value of the real estate security is being provided to the Tribe that has jurisdiction over the Reservation in which the real estate security is located.

We are also enclosing, with this letter, a more detailed explanation of the additional CONACT rights that are available to you.

Sincerely,

District Director

Attachment  
cc: Tribe  
Area Office, BIA  
SED/FLC  
DD  
FLM

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**Notification of Options Available to the Tribe**

\*--

**5-FLP, Exhibit 53**

This Exhibit may only be revised by SED.

(Use Agency Letterhead format with local return address.)

**NOTIFICATION OF OPTIONS AVAILABLE TO THE TRIBE**

(Tribe)  
(Address)

SUBJECT: (Borrower's Name)

Dear Sir or Madame:

This letter concerns (borrower's name) (hereafter referred to as "borrower") Farm Service Agency (FSA) real estate, and, if applicable, chattel security, and the options available in lieu of foreclosure on \_\_\_\_\_ acres with a market value of \_\_\_\_\_

Attached is a copy of the letter (with all attachments) that was sent to the borrower who has debt obligations with FSA that are in default. The borrower has pledged real estate security for this debt, and that security lies within the jurisdiction of your Tribe's Reservation.

Under section 335(e) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1985(e)), one of the liquidation options offered to the borrower is the assignment of the borrower's FSA loans to the Tribe. If the borrower requests FSA to assign the loan to the Tribe and the Tribe is agreeable to the assignment, the Tribe would purchase the loan at the lesser of the market value of the property securing the loan or the outstanding principal and interest due under the loan.

If the Tribe purchases the borrower's loan, the borrower's obligation will be to the Tribe under the assigned promissory note. Notwithstanding any loan servicing needs, or loan servicing arrangements between the borrower and the Tribe, the Tribe will be independently obligated to pay, or continue to make payments to, FSA for the purchase of the assignment.

The Tribe may pay the value of the assigned loan under terms and conditions similar to an Indian Tribal Land Acquisition Program (ITLAP) loan under 7 CFR part 770 or it may pay this amount in full at the time of the assignment. All ITLAP servicing options, except any writedown servicing options, may be applied to such loans.

We encourage you to contact the borrower to discuss these options and contact FSA for information on requirements necessary to complete the transaction.

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Notification of Options Available to the Tribe (Continued)

\*--

5-FLP, Exhibit 53

If the borrower has not responded to the attached letter in writing within **60** calendar days, the matter will be referred for collection and foreclosure. We will be in contact with you if the borrower requests us to assign the loan to the Tribe.

Sincerely,

Farm Loan Manager

Attachments

cc: Borrower

SED/FLC

DD

Area Office, BIA

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**Information on American Indian Borrower Rights Under the Consolidated Farm and Rural Development Act**

\*--

5-FLP, Exhibit 54

This Exhibit may only be revised by SED.

**INFORMATION ON AMERICAN INDIAN BORROWER RIGHTS UNDER THE CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT**

EXPLANATION AND APPLICABILITY OF OPTIONS OFFERED TO AMERICAN INDIAN BORROWERS AND INDIAN TRIBES WITH RESPECT TO REAL PROPERTY SECURING FARM SERVICE AGENCY LOANS THAT IS LOCATED WITHIN THE BOUNDARIES OF A FEDERALLY RECOGNIZED INDIAN RESERVATION

**I. INDIAN RESERVATION**

The term "Indian Reservation" means all land located within the limits of any Indian Reservation under the jurisdiction of the United States, notwithstanding the issuance of any patent, and, including rights-of-way running through the reservation; trust or restricted land located within the boundaries of a former reservation of a Federally recognized Tribe in the State of Oklahoma; or all Indian allotments the Indian titles to which have not been extinguished if such allotments are subject to the jurisdiction of a Federally recognized Tribe.

**II. BORROWER CONSULTATION WITH TRIBE**

Borrowers may consult with the Tribe that has jurisdiction over the Indian Reservation in which the real property is located to determine if State or Tribal law provides rights and protections that are more beneficial than those provided the borrower under the Consolidated Farm and Rural Development Act (CONACT). After such consultation, you may advise us of your findings (citing applicable authorities), and we will consider such findings for possible application in your loan.

**III. BORROWER RIGHT TO VOLUNTARILY CONVEY REAL ESTATE TO FARM SERVICE AGENCY**

An American Indian borrower whose loan is secured by real property located within the boundaries of an Indian Reservation may voluntarily convey the real property to the Farm Service Agency (FSA), and, in the absence of environmental concerns, FSA will agree to accept that voluntary conveyance. Real property so conveyed will be placed in the inventory of FSA. FSA will credit the borrower's account with the market value of the property or the total debt, whichever is greater. This means that if the borrower voluntarily transfers ownership of the property that serves as collateral for the borrower's FSA loans, the borrower's account would be credited such that the borrower would no longer owe FSA any indebtedness. The property will then be owned by FSA.

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**Information on American Indian Borrower Rights Under the Consolidated Farm and Rural Development Act (Continued)**

\*--

5-FLP, Exhibit 54

**IV. GOVERNMENT ACTIONS IF THE REAL PROPERTY IS NOT CONVEYED OR THE DEBT OWED FSA IS NOT OTHERWISE RESOLVED**

If, after notification and consideration of delinquent borrower servicing rights, the borrower does not voluntarily convey the real property to FSA or does not otherwise resolve the outstanding debt owed to FSA:

- 1) FSA may foreclose on the property.
- 2) In the event of such foreclosure, the FSA security property will be offered for sale to the public. Sales are conducted on a "high bid basis".
- 3) FSA must offer a bid for the property at the foreclosure sale that is equal to the market value of the property (as determined by FSA), or the outstanding principal and interest owed on the loan, whichever is higher.
- 4) The property may be purchased through such foreclosure sale by another party who bids higher than FSA.
- 5) If the property is purchased by another party at such foreclosure sale, the property will not be placed in FSA inventory and you will forfeit, and will not have access to, further real estate rights in the property and protections provided under the CONACT.

**V. PRIORITY ESTABLISHMENT FOR SALE OF INVENTORY REAL ESTATE - IF FSA BECOMES OWNER OF THE PROPERTY**

Not later than 90 calendar days after FSA acquires ownership of real property, whether such ownership was gained through voluntary conveyance by the borrower, or through a successful bid by the FSA at a foreclosure sale, FSA will afford an opportunity to purchase the real property in accordance with the order of priority established by the Tribe having jurisdiction over the Indian Reservation within which the real property is located. If no order of priority is established by the Tribe, the real property will be sold in the following order: (1) to a member of the Tribe that has jurisdiction over the Reservation within which the real property is located; (2) to an Indian corporate entity; or (3) to the Tribe.

The governing body of the Indian Tribe having jurisdiction over an Indian Reservation may revise, or re-arrange, the order of priority stated above, and may restrict the eligibility for purchase to: (1) persons who are members of the Tribe; (2) Indian corporate entities that are authorized by the Tribe to purchase lands within the boundaries of such Reservation; or (3) the Tribe itself. These sale conditions or requirements are in accordance with section 335(e) of the CONACT (7 U.S.C. 1985(e)).

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**Information on American Indian Borrower Rights Under the Consolidated Farm and Rural Development Act (Continued)**

\*--

5-FLP, Exhibit 54

VI. TRANSFER OF INVENTORY LAND FROM THE SECRETARY OF AGRICULTURE TO THE SECRETARY OF INTERIOR

If real property comes into FSA ownership from the borrower, is not purchased under paragraph V above, and the Tribe having jurisdiction over the reservation where the real property is located is unable to purchase the real property, FSA will transfer the real property to the Secretary of Interior who will administer the real property as if the real property were held in trust by the United States for the benefit of the Tribe.

From the income generated from that property, the Secretary of Interior will pay those State, county, municipal, or other local taxes to which the real property was subject at the time of acquisition by FSA until the earlier of: (1) the expiration of the 4-year period beginning on the date on which the real property was transferred to FSA; or (2) such time as the lands are transferred into trust. When real property is transferred to the Secretary of Interior, FSA will have no further responsibility for collection of any amounts with regard to the farm program loan that had been secured by real property, nor with regard to any lien arising out of the loan transaction, nor for repayment of any amount with regard to the farm program loans or liens to the Treasury of the United States. The Secretary of Interior will succeed to all rights, title and interest of FSA in the real estate, including the obligation to remit to the Treasury of the United States amounts in repayment of the original loan. Repayment will occur in that after the payment of required taxes, all income generated from the property will be deposited as miscellaneous receipts in the Treasury of the United States until the amount deposited is equal to the lesser of: (1) the amount of the outstanding lien of the United States, as of the date the property was acquired by FSA; (2) the market value of the real property, as of the date of the transfer to the Secretary of Interior; or (3) the capitalized value of the property, as of the date of transfer to the Secretary of Interior.

When the total amount that is required to be deposited with respect to any real property has been deposited into the Treasury of the United States, title to the real property will be held in trust by the United States for the benefit of the Tribe having jurisdiction over the Indian Reservation within which the real property is located.

Notwithstanding any other provision, the Tribe having jurisdiction over the Indian Reservation within which the real property is located may, at any time after the real property has been transferred to the Secretary of Interior, offer to pay the remaining amount of the lien, or the market value of the real property, whichever is less. Upon payment of such amount, title to such real property will be held by the United States in trust for the Tribe and such trust or restricted lands that have been acquired by FSA foreclosure or voluntary transfer, and transferred to an Indian person, entity, or Tribe, will be deemed to have never lost trust or restricted status.

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**Information on American Indian Borrower Rights Under the Consolidated Farm and Rural  
Development Act (Continued)**

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5-FLP, Exhibit 54

VII. FARM SERVICE AGENCY FORECLOSURE SALE BIDDING REQUIREMENTS

At a foreclosure sale of real property described in this letter, FSA will offer a bid for the property being foreclosed that is equal to the higher of: (1) the market value of the property; or (2) the outstanding principal and interest of the real estate secured FSA loans. If an environmental concern is located on the property and FSA would find it necessary to take remedial action to protect human health or the environment if the property were to be taken into inventory, FSA's bid at the higher of "the market value" or "the outstanding debt balance" would apply only if FSA determines that it is in the best interest of the Federal Government to offer such bid.

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**Notification to a Tribe of an American Indian Borrower's Request to Have a Loan Assigned to the Tribe (With Example Information)**

\*--

5-FLP, Exhibit 55

This Exhibit may only be revised by SED.

(Use Agency Letterhead format with local return address.)

**NOTIFICATION TO A TRIBE OF AN AMERICAN INDIAN BORROWER'S  
REQUEST TO HAVE A LOAN ASSIGNED TO THE TRIBE**

(Tribe)  
(Address)

SUBJECT: Borrower Request that Farm Service Agency Loans Be Assigned to the Tribe \_\_\_\_\_.

Dear Sir or Madam:

This letter concerns the request of (borrower's name) that the enclosed Farm Service Agency (FSA) loans and security instruments be assigned to the Tribe pursuant to section 335(e)(1)(A)(v) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1985(e)(1)(A)(v)).

Borrower's Name and Address:							
Loan No.	Type	Principal	Interest	Balance	Rate	Daily Interest Accrual	Status
43-02	EM	\$100,000	\$51,000	\$151,000	5%	13.70	1,000B
Total							

If the Tribe agrees to accept the assignment of these loans, the Tribe will pay FSA \$ \_\_\_\_\_ in exchange for the assigned loans. The amount to be paid for the assignment of the loans represents the lesser of the outstanding principal and interest of the loans or the market value of the security for the loans. The Tribe may pay for the purchase of the assignment over time under terms and conditions similar to those applicable to the Indian Tribal Land Acquisition Program under 7 C.F.R. part 770, or the Tribe may purchase the assignment without FSA financing.

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**Notification to a Tribe of an American Indian Borrower's Request to Have a Loan Assigned to the Tribe (With Example Information) (Continued)**

\*--

5-FLP, Exhibit 55

We request that you inform this office of your decision regarding your intention to accept the assignment of the loans by returning within 30 calendar days from the date of this letter, a copy of this letter with the appropriate box marked below. If we do not receive a response within this 30-day time period, we will proceed as if you have denied the borrower's request. Your decision must be to either accept assignment of all or none of the loans the borrower has requested be assigned to the Tribe. We will treat any response that does not accept the assignment of all loans as a denial of the borrower's request.

Yes, the Tribe intends to accept the borrower's loan assignment request **without** FSA financing.

Yes, the Tribe intends to accept the borrower's loan assignment request **with** FSA financing.

No, the Tribe does not intend to accept the borrower's loan assignment request.

If you have any questions, please contact the undersigned.

Sincerely,

Return Response to:

Farm Loan Manager

cc: Area Office, BIA  
SED/FLC  
DD  
Enclosures

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Notification to Tribe of Availability of Farm Property for Purchase

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5-FLP, Exhibit 71

This Exhibit may only be revised by SED.

(Use Agency Letterhead format with local return address.)

**NOTIFICATION OF OPTIONS AVAILABLE TO THE TRIBE**

(Tribe)  
(Address)

SUBJECT: (Borrower's Name)

Recently the Farm Service Agency (FSA) acquired title to \_\_\_\_\_ acres of farm real property located within the boundaries of your Reservation. The previous owner of this property was \_\_\_\_\_ . The property is available for purchase or lease with the option to purchase by persons who are members of your Tribe, an Indian corporate entity, or the Tribe itself. The lease may not exceed 5 years. FSA regulations provide for those three distinct priority categories which may be eligible; however, you may revise the order of the priority categories and may restrict the eligibility to one or any combination of categories. Following is a more detailed description of these categories:

1. Persons who are members of your Tribe. Individuals so selected must be able to meet the eligibility criteria for the purchase of Government inventory property and be able to carry on a family farming operation. Those persons not eligible for FSA's loan programs may also purchase this property with a Non-Program loan on ineligible rates and terms.
2. Indian corporate entities. You may restrict eligible Indian corporate entities to those authorized by your Tribe to purchase lands within the boundaries of your Reservation. These entities also must meet the eligibility requirements established for the type of assistance granted. Entities not eligible for FSA's loan programs may also purchase this property with a Non-Program loan on ineligible rates and terms.
3. The Tribe itself also is considered eligible to exercise the right to purchase the property. If available, Indian Land Acquisition program funds may be used or the property may be financed with a Non-Program loan on ineligible rates and terms.

We are requesting that you notify FSA of your selection or intentions within 45 days of receipt of this letter. If you have questions regarding eligibility for any of the groups mentioned above, please contact this office. If the Tribe wishes to purchase the property, but is unable to do so at this time, contact this office.

Sincerely,

(Agency Official)  
cc: DD

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