Guaranteed Loan Servicing Refresher Q & A

MARCH 2025

1. **If a loan is set up to collect partial payments, such as in the case of a poultry assignment, is it okay to hold funds until full payment is received and due?**

   No, all payments must be applied to the borrower's loan(s) when received. Funds cannot be held until a full payment is received and due in accordance with FSA Handbook 2-FLP, subparagraph 263 B.

2. **If replacement cost coverage is not available is current market value coverage acceptable?**

   FSA Handbook 2-FLP, subparagraph 138 A states lenders must require borrowers to maintain adequate property, public liability, and crop insurance to protect the lender and Government's interest. Various factors including the type of security, risk of loss, and typical lending practices influence the amount of insurance necessary. When insurance is warranted, lenders should obtain an assignment.

3. **How do we handle annual reviews when a borrower will not allow a farm visit or submit financials, but is otherwise performing?**

   Considering annual analysis and inspections/ farm visits are a condition of the loan, continue to request financial information needed for an annual review and attempt to conduct a farm inspection. When the borrower does not comply, document in the borrower case file the multiple attempts to obtain financial information and to schedule a farm inspection. If possible, conduct a drive-by inspection to access the condition of visible collateral and document with photos. Further action should be taken, if the borrower continues to not comply, by putting the guaranteed loan in non-monetary default.

4. **When an FSA-2241 status report states the loan is behind, but the loan is within 30 days past due and will be brought current within the next 30 days; does the lender need to submit an FSA-2248 default status report to state the account is now current to change the status in GLS?**

   If the loan is 30 days past due, all lenders will need to submit an FSA-2248 "Guaranteed Farm Loan Default Status Report" no later than 45 days of the loan becoming past due and resubmit every 60 days until the default is cured or payment of a final loss claim. If the loan becomes current prior to 45 days, an FSA-2248 is not required. If an FSA-2248 was submitted to report the loan as delinquent an updated FSA-2248 needs to be submitted when the loan is brought current to end the default status reporting. All lenders will also continue to submit an FSA-2241 "Guaranteed Farm Loan Status Report" as of March 31 and September 30 of each year.

5. **It has become increasingly difficult to collect a verification of debt for dealer financed equipment such as JD Financial and CNH Finance. How do we deal with not being able to verify debt from these creditors?**

   If the debt is not on the credit report and you are unable to obtain it from the creditor, then consider asking the applicant/borrower to provide copies of account statements or a screen shot of the account information from their mobile phone.

6. **I'm in the process of applying for an emergency advance of additional funds. I've supplied the local FSA office with the documentation required. What is the time frame of hearing back from FSA?**

   FSA shall review a SEL's and CLP lender's request for an emergency advance and notify the lender of FSA's decision in a timely manner. FSA should make every effort to respond to a request for an emergency advance within several days of receiving the lender's request as stated in FSA Handbook 2-FLP, subparagraph 283 C.

7. **Do all three conditions need to be met for an emergency advance as stated in FSA Handbook 2-FLP subparagraph 283 A?**

   Yes, all three conditions apply to issuing an emergency advance under a guaranteed LOC.

   - The loan funds to be advanced are for authorized operating loan purposes.
   - The financial benefit to the lender and the Government from the advance will exceed the amount of the advance.
   - The loss of crops or livestock is imminent unless the advance is made.

8. **The best discounts on crop inputs are offered before all crops grown the prior year are sold and the guaranteed LOC is paid down to zero. How should these advances for the next crop cycle input be handled?**

   An annual analysis, including a current balance sheet, should reflect the current asset values (i.e. crops grown the prior year) are sufficient to pay the guaranteed LOC to zero, along with any other current liabilities due. If the operation can reflect the ability to pay the guaranteed LOC to zero, then the lender can proceed with advancing for the next operating cycle's expenses to be in accordance with FSA Handbook 2-FLP Paragraph 265. However, SEL must obtain FSA concurrence prior to advancing for the next operating cycle's expenses as stated in FSA Handbook 2-FLP subparagraph 265 C.

9. **In the case of liquidation plans where no loss is expected, how do PLP lenders properly notify their local FSA office and what documentation is needed?**

   All lenders must continue to submit an FSA-2248 "Guaranteed Farm Loan Default Status Report" every 60 calendar days, including comments about the status, until the default is cured or payment of a final loss claim. Also, an estimated loss claim of $0 could be submitted, but no later than 150 days after the payment due date. All lenders must prepare a liquidation plan by 150 days past due. SEL and CLP lenders must submit the liquidation plan to FSA for approval, while PLP must maintain the plan in the borrower case file. Liquidation plan requirements can be found in 2-FLP, Paragraph 358.

10. **When an SEL lender does not timely submit or even submit annual analysis on their guaranteed loan borrowers, how does this affect the overall status of the Loan Guarantee?**

    The lender's responsibilities regarding borrower supervision include performing an annual analysis of the borrower's financial condition to determine the borrower's progress. If FSA discovers that a lender does not have adequate procedures in place to ensure sound borrower supervision, the authorized agency official will inform the lender in writing of the deficiency and, if necessary, require the lender to submit a plane outlining the actions they will take to correct the deficiency. Failure on the part of the lender to submit a plan or take action to correct the deficiency may result in denial of future loan applications or revocation of status. In all cases, FSA may reduce, adjust, or reject any future loss claim because of negligent servicing.

11. **How should lenders handle annual financial analysis 90-day rule when a borrower's tax returns are not available until later in the year?**

    An annual analysis can include a copy of the income and expense statement for the previous year from the borrower's records, if the tax return is not available.