



*Building Rural America*  
**National Association of Credit Specialists**  
of the  
**USDA – Farm Service Agency**  
**LOAN SERVICING COMMITTEE**

**THE LOAN SERVICING COMMITTEE MET AT THE ASTOR CROWNE PLAZA HOTEL IN NEW ORLEANS, LA, ON JUNE 24-26, 2019 TO REVIEW RESOLUTIONS SUBMITTED BY THE MEMBERSHIP.**

**THE FOLLOWING RESOLUTIONS ARE RECOMMENDED FOR ADOPTION:**

**Resolution 1**

**CONCERN:** When a borrower makes a late payment, more of the payment goes to interest rather than principal. The later the payment, the more interest is accrued. Especially in the case of the first few payments on an FO, late payments may result in zero principal reduction. Long term, the loan may not pay out on time. The system shows the loan current once the scheduled installment is made regardless of when it is made.

**PROPOSED SOLUTION:** Request Finance Office to add a statement to the 60-day payment notice. A late payment may result in zero principal reduction which may cause the loan to not pay out in time.

**Resolution 2**

**CONCERN:** 2-FLP, Paragraph 280 B has a note section under the bullet "the security item has no present or prospective value". The note section states "Older security items that are now junk or obsolete may be left off of FSA-2028 (Security Agreement) when it is updated. FSA 2028 is a direct loan security agreement and not used in guaranteed loan making.

**PROPOSED SOLUTION:** To remove FSA-2028 and replace with "the lender's security agreement".

**Resolution 3**

**CONCERN:** 2-FLP, Paragraph 374 C step 7 on the chart indicates "It is not necessary for FSA to have a hard copy of a fully executed FSA 2242, unless the holder has requested FSA to repurchase the loan."

However, 2-FLP, Paragraph 374 D under the Note states "After execution by the lender and FSA, the holder will execute it and return a copy to FSA for retention in the borrower's FSA file."

**PROPOSED SOLUTION:** Change 2-FLP, Paragraph 374 D note to read as follows: After execution by the lender and FSA, the holder will execute it and return a copy to FSA for retention in the borrower's FSA file. This will result in uniformity between these two statements.

**THE FOLLOWING RESOLUTIONS ARE RECOMMENDED FOR NON-ADOPTION:**

**Resolution 4**

**CONCERN:** Payment due date is not listed on the Customer Profile.

**PROPOSED SOLUTION:** Add due date to loan information on Customer Profile.

**EXPLANATION BY THE COMMITTEE FOR NON-ADOPTION:** Transferred to IT.

**Resolution 5**

**CONCERN:** Bad faith determinations are not being tracked in a system. As employees retire, newer employees may not know about the bad faith determinations.

**PROPOSED SOLUTION:** Add a tracking system to DLS.

**EXPLANATION BY THE COMMITTEE FOR NON-ADOPTION:** Transferred to IT.

**Resolution 6**

**CONCERN:** Inventory real property must be publicly offered with a sealed bid sale. This process requires that FSA advertise in at least 2 newspapers or other appropriate publications. With the disappearance of rural newspapers, it is increasingly difficult to find local publications, and even more difficult to convince them to register in SAM.

**PROPOSED SOLUTION:** Allow FSA to secure the services of a real estate auctioneer to market and sell inventory properties, especially those not eligible for FSA financing. This will allow improved marketing of properties, quicker turn-around, and possibly increased sales price which would offset the auctioneer's fees.

**EXPLANATION BY THE COMMITTEE FOR NON-ADOPTION:** This process is a necessary part of our process because it affords opportunities to our underserved producers (SDA/BF).

**Resolution 7**

**CONCERN:** Currently when reviewing borrower's repayment history the only way to determine if payments were made on time is to pull ADPS and manually calculate when payments are made.

**PROPOSED SOLUTION:** In DLM customer status add a section where it will show all scheduled payments and due dates and the date each scheduled payment is made.

**EXPLANATION BY THE COMMITTEE:** This is already in ADPS.

**Resolution 8**

**CONCERN:** The 540 only comes out once a month and there is no other easy way to view your delinquent loans and stay on top of new delinquencies.

**PROPOSED SOLUTION:** A report which has the same general information as the top sections of the 540 available to pull throughout the month like the rest of the reports.

**EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE:** The 540 report shows the current number of days the loan is delinquent. The difference between current and 90 days can be manually figured.

#### **Resolution 9**

**CONCERN:** If certified mail is unclaimed and regular mail is sent the outcomes return to that of the certified mail (box 4 of chart 3). This creates a loop that will continue to send regular mail from the outcome of "certified mail unclaimed or undeliverable". There is no reminder or notification to mark the regular mail as accepted.

**PROPOSED SOLUTION:** Change the outcome of "FSA 2510 & 2511 sent to borrower regular mail". The outcome should become due 3 days after mailing date to begin the borrower response timeframe as 5-FLP, Par. 83A. This should be prompted in dashboard as other due dates are.

**EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE:** Only mailing notice once by regular mail.

#### **Resolution 10**

**CONCERN:** When doing servicing on guaranteed loan the book tells the lender to provide copies of any restructured notes and an FSA-2248 to show that the loan is current. If the loan is already current though the book does not make that differentiation for you. So you end up requesting that they submit a 2248 that you cannot submit into GLS accurately.

**PROPOSED SOLUTION:** Add verbiage to say that if the loan is not currently delinquent and the lender has not submitted an FSA-2248 already to show that the loan is delinquent then the lender only needs to submit copies of the restructured notes and FSA does not need to put an FSA-2248 into GLS.

**EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE:** Per the Agency's regulations, completed Form FSA 2248 needs to be provided with Delinquent code #11 Rescheduling of Payments in Box #13.

#### **Resolution 11**

**CONCERN:** Currently we have to wait on the farmers to get us checks in order to file UCC's and other documents in the court systems. This can lead to delays and wasted time from USDA employees trying to get renewal fees from farmers only to have to then submit PLCE requests and hope the check from treasury comes in time. A number of times employees have just ended up paying the fees to not have to deal with this.

**PROPOSED SOLUTION:** If FSA would just charge a small closing fee to cover all of these and have an office charge card to use for them, it would expedite things tremendously and allow employees to spend their time on more important things.

**EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE:**

## Resolution 12

**CONCERN:** Currently it falls on the PT and field office to hound borrowers for \$10 checks here and there plus after they paid in full. It's a lot of time spent on something that could be easily remedied with a small closing fee.

**PROPOSED SOLUTION:** A closing fee, \$20 for chattel and \$50 for RE security would cover continuations financing statements as well as terminations and deed cancellations without having to go back and forth with the borrower. Numerous farmers have expressed frustration with trying to get their final payoff documents cancelled and PT's have enough to do without having to hound borrowers for \$10.

**EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE:** The collection of funds at closing to pay UCC continuation fees would add another layer of work. 4-FLP Exhibit 26 provides providing information of the fees to be paid to release the UCC and to the release of the deed of trust.

## Resolution 13

**CONCERN:** 5-FLP Paragraph 42 B reads

B. How FSA Notifies Borrowers: Borrowers will be notified of DSA availability by sending out Exhibit 10 on the first

\*--workday after the first disaster designation of a calendar year. This will inform all eligible borrowers that the DSA program is available during disaster designations. The letter will list all outstanding disaster designations at the time.--\*

This is good start, but will not provide adequate notices for designations that are approved later in the year. It is common to have several designations in a county at the same time or within the year.

**PROPOSED SOLUTION:** Add: Additional notifications will be needed when additional designations are approved and borrowers have not been previously notified of that specific designation.

**EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE:** Par 42 B of 5-FLP was revised on 6/4/2019.

## Resolution 14

**CONCERN:** If a customer achieves a confirmed plan, the current flow chart indicates "END" under box 22. (CHART 5, PAGE 3 OF 7 BANKRUPTCY Revision 01/01/2018)

Later if they become delinquent there is no flow chart, and if we try to utilize the regular servicing flow chart, it will have us possibly sending Offset Notices which are inconsistent with 11 U.S. Code-Effect of Automatic Stay.

**PROPOSED SOLUTION:** We need a Path in DLS Servicing that shows the progression of the servicing offered while the bankruptcy is open.

**EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE:** See FLP Par 405 B

## Resolution 15

**CONCERN:** By definition in Exhibit 2 of 5-FLP, a borrower is considered to be delinquent if their payment is not made by the due date. Then according to 5-FLP loans restructured for these borrowers would require a lien on all assets. This gives our customers limited time to make marketing decisions based upon current conditions. In order to avoid a lien on all assets, customers will need to apply for primary loan servicing prior to liquidating assets that could be used to pay loan installments. Loan officials might select an arbitrary date well into the marketing season to avoid the need to restructure with a lien on all assets.

**PROPOSED SOLUTION:** Add a grace period to FSA regulations and loan documents to allow customers time to make marketing decisions and make loan payments without having to restructure with a lien on all assets.

**EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE:** Based on the Agency's servicing regulations, the borrower has the initial 12 months prior to the annual installment.

## Resolution 16

**CONCERN:** Based on current experiences with managing inventory properties, we have encountered issues obtaining vendors (newspaper, handy-man, property management agency, etc.) that are active in SAMS. With limited staff, finding a vendor and then convincing the vendor to obtain a DUNS number to register in SAMS is cumbersome.

**PROPOSED SOLUTION:** A streamline ability to pay for services. The FSA-CO side typically has a purchase card holder that uses a government credit card to order goods and/or pay for services. FSA-GS could adopt the similar practice for expenses associated with managing an inventory property. The card could be held by district and/or requested on a need-to-basis by the office who has inventory properties.

**EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE:** Implement a whole system for a few cases when a system could be implemented on a case by case basis.

Respectfully submitted by the 2018/2019 Loan Servicing Committee:

Rebecca Padilla, Zone A

Irby McWilliams, Zone B - Chairperson

Nathan Denney, Zone C

Cheryl Brooks, Zone D