*Building Rural America*

**National Association of Credit Specialists**

of the

**USDA – Farm Service Agency**

**LOAN SERVICING RESOLUTIONS**



**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.

**NATIONAL OFFICE RESPONSE:** We agree and will add a note to the 60-day payment letter warning about late payments.

**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".

**NATIONAL OFFICE RESPONSE:** 2-FLP, subparagraph 280 B will be amended accordingly.

**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.

**NATIONAL OFFICE RESPONSE:** 2-FLP, subparagraph 374 D will be amended to remove the following from the Note: “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.”