

PART 1951 - SERVICING AND COLLECTIONS

Subpart A - Account Servicing Policies

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Part 1951 - SERVICING AND COLLECTIONS

Subpart A - Account Servicing Policies

§ 1951.1 Purpose.

This Subpart sets forth the policies and procedures to use in servicing Operating Loan (OL), Farm Ownership Loan (FO), Soil and Water Loan (SW), Recreation Loan (RL), Emergency Loan (EM), Economic Emergency Loan (EE), Special Livestock Loan (SL), Economic Opportunity Loan (EO), and Rural Housing Loan for farm service buildings (RHF) accounts, herein referred to as "Agency". This Subpart also applies to Rural Rental Housing Loan (RRH), Rural Cooperative Housing Loan (RCH), Labor Housing Loan (LH), Rural Housing Site Loan (RHS), and Site Option Loan (SO) accounts not covered under the Predetermined Amortization Schedule System (PASS). Loans on PASS will be administered under Subpart K of Part 1951 of this chapter. Cases involving unauthorized assistance will be serviced under Subparts L and N of this Part. Cases involving graduation of borrowers to other sources of credit will be serviced under Subpart F of this Part.

§ 1951.2 Policy.

Borrowers are expected to pay their debts to the Agency in accordance with their agreements and ability to pay. They will be encouraged to pay ahead of schedule, consistent with sound financial management. When borrowers have acted in good faith and have exercised due diligence in an effort to pay their indebtedness but cannot pay on schedule because of circumstances beyond their control, servicing actions will be consistent with the best interests of the borrower and the Government. It is the policy of this agency to service borrower loan accounts without regard to race, color, religion, sex, marital status, national origin, age, physical or mental handicap (borrower must possess the capacity to enter into a legal contract for services).

§ 1951.3 Authorities and responsibilities.

Community Development Managers and Rural Development Managers are responsible for all Agency accounts serviced by the Local and Area Offices as this subpart under the general guidance and supervision of Area and State Offices personnel. Full use will be made of the Local Office Management System in account servicing. For the purposes of this subpart, all references to "Community Development Managers" shall be construed to mean "Rural Development Managers" for all loans serviced by the Area Office.

§ 1951.4 - 1951.5 [Reserved]

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 Account Servicing
 Servicing and Collections

RD Instruction 1951-A

§ 1951.6 Handling payments. (Revised 10-28-03, SPECIAL PN.)

(a) Payments on Agency loans. These payments will be handled in accordance with subpart B of this part.

(b) Payments on Farm Service Agency (FSA) FO and SW loans. Payments made through an FSA field office will be handled in accordance with related FSA policies handbooks. If an FSA collection is received in a Rural Development field office, submit the payment to the nearest FSA field office.

(c) Local Office handling of direct payment accounts. Form RD 1905-1, "Management System Card - Individual," and Form RD 1905-5, "Management System Card - Individual (Rural Housing Only)," will be used in the Local Office Management System Box. These forms and the transaction records will be maintained as described in RD Instruction 1905-A (available in any servicing office). In addition, an orange signal will be placed to the left of Position A on Form RD 1905-1 to denote that the borrower is on the direct payment system. If a borrower fails to make payments as agreed, or becomes delinquent in taxes or insurance so that it is necessary for the Agency to pay taxes or insurance by voucher, the Community Development Manager may request the Finance Office to remove the borrower from the direct payment method. If this decision is made, the Community Development Manager Supervisor will contact the borrower and collect the remaining supply of Forms RD 370-46, "Direct Payment Coupons," which will be destroyed and the borrower will be informed that all future payments should be made to the Local Office. If at a later date the borrower is making payments on schedule, the Community Development Manager may request the Finance Office to put the borrower back on the direct payment method and provide a new set of Forms RD 370-46. These changes are made by filling out Form RD 1951-34, "Direct Payment Plan Change," in accordance with the Forms Manual Insert (FMI) and entering it via the field office terminal system.

(d) Account servicing actions retained by the Local Office. For those borrowers who make direct payments to the Finance Office, the Community Development Manager will continue to handle the following servicing actions:

(1) Any regular payments a borrower is to make prior to receiving the packet of payment coupons will be made through the Local Office in the usual manner.

(2) All payments other than regular payments will be made through the Local Office in the usual manner.

§ 1951.6(d) (Con.)

(3) The Community Development Manager will counsel with borrowers concerning questions they have about their account. If assistance is needed, the Community Development Manager will contact the State or Finance Office as appropriate.

(4) If an uncollectible item is received, the Finance Office will reverse the amount from the borrower's account. The uncollectible item with a transmittal memorandum will be sent to the Local Office. The Local Office will return the uncollectible check to the borrower after it is fully redeemed. The borrower will make payment by sending a new check and a new payment coupon to the Finance Office. There will also be a non-interest accruing administrative cost charged to the borrower's account for uncollectible items due to insufficient funds. (The amounts of any such administrative charges are available from any Rural Development and FSA office.)

(e) Borrowers receiving other type loans. If a borrower is on direct payment and subsequently receives another type loan, the original loan may remain on the direct payment system.

(f) Borrowers with RRH, RCH, or LH loans on a Predetermined Amortization Schedule System (PASS). Loans on PASS will be administered under Subpart K of this part.

(g) Borrowers with RRH, RCH, LH, RHS, and SO loans administered under this subpart. RRH, RCH, LH, RHS and SO loans on a daily interest accrual system (DIAS) for applying payments administered under this subpart are subject to the direct billing and payment requirements in § 1951.506 of subpart K of this part. All payments are due on the first day of the month following the date shown on the promissory note, except loans with principal and interest bonds issued before May 1, 1985. All payments are considered delinquent for reporting purposes on the 15th day of the month following the payment due date if the unpaid portion of the payment exceeds \$15.00.

RD Instruction 1951-A

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§ 1951.7 Accounts of borrowers.

(a) Accounts of active borrowers. The foundation for proper and timely debt payment is sound farm and home planning or budgeting, including plans for debt payments, supplemented by effective follow-up management assistance. Account servicing, therefore, must begin with initial planning and must be an integral part of analysis and subsequent planning, as well as follow-up management assistance.

(b) Accounts of collection-only borrowers.

(1) Collection-only borrowers are expected to pay debts to the Agency in accordance with their ability to pay. Efforts to collect such debts, including use of collection letters and account servicing visits, must be coordinated with other program activities. If these borrowers are unable to pay in full, appropriate debt settlement policies should be promptly applied.

(2) Envelopes addressed to collection-only borrowers will bear the legend "DO NOT FORWARD." When an envelope is returned indicating the borrower has moved, appropriate steps will be taken to determine the borrower's correct address.

(3) Regular County Office employees are generally expected to service the collection-only caseload when it is of moderate size. State Directors may assign additional employees to County Offices having large collection-only caseloads when necessary to service such cases to a prompt conclusion. State Directors may inform the National Office of the need for employing special collection personnel in urban areas having large collection-only caseloads when employees are not available to assign to such areas.

(4) The following actions will be taken in servicing accounts owed by collection-only borrowers:

(i) Rural Development Managers will review, yearly, all collection only cases in each Local Office with the Community Development Manager as early in each fiscal year as possible. They will jointly agree on the actions to take and will complete Form RD 451-27, "Review of Collection-Only Accounts."

(ii) Rural Development Managers will establish with Community Development Managers a systematic plan for collecting the accounts or initiating appropriate debt settlement actions during the year.

(iii) Community Development Managers will include in their monthly calendars plans for servicing these accounts.

(iv) On visits to Local Offices, Rural Development Managers will review the progress being made by Community Development Managers to insure that goals will be reached.

(v) For collection-only accounts in Area Offices, the State Director will review the accounts as required in paragraphs (b)(4)(i) through (b)(4)(iv) of this section and the Rural Development Manager will service the account.

(c) Notifying borrowers of payments. Community Development Managers will notify borrowers of the dates and amounts of payments that have been agreed on for all types of accounts. Form RD 451-3, "Reminder of Payment to be Made," or similar form approved by the State Director, will be used. The form will not contain any language indicating that an account is delinquent. These notices will be timed to reach borrowers immediately before the receipt of the income from which the payments should be made or before the installment date on the note, as appropriate, and may include other pertinent information such as a reference to agreements reached during the year and sources of income from which the payment was planned. Such notices need not be sent when frequent payments are scheduled and the borrower customarily makes the payments when due.

(d) Subsequent servicing.

(1) When a Farmer Program borrower fails to make a payment as agreed, the Community Development Manager will notify the borrower in accordance with subpart S of part 1951 of this chapter.

(2) When other than a farm program borrower fails to make a payment as agreed, the Community Development Manager will contact the borrower to discuss the reasons why the payment was not made and to develop specific plans for making the payment. Form RD 451-32,

"Notice of Payment Due," may be used to notify borrowers who make payments directly to the Finance Office that their payment has not been received. Form RD 450-13, "Request for Assignment of Income From Trust Property," may be used when other methods of loan collection fail and debt repayment is possible from trust income. In the event the borrower refuses to make the payment when income is available, or if it is determined that income will not be available to make the payment within a reasonable length of time and will not be available to make future payments, action will be taken to protect the Government's interest in accordance with applicable regulations. Followup actions for subsequent servicing will be noted on appropriate Management System Cards.

(e) Maintaining records of accounts in County Offices. Records of the accounts of Agency borrowers will be maintained in the County Office on Forms RD 1905-1, RD 1905-5, RD 1905-10, "Management System Card - Association," as provided in RD Instruction 1905-A (available in any Agency office).

(f) Inquiry for Multiple Family Housing (MFH) loans. Inquiry for all RRH, RCH, LH, RHS, and SO loans and grants will be made through field terminals using procedures in the "MFH Users Procedures" manual or by contacting the MFH Unit in the Finance Office.
(Renumbered 10-14-88, SPECIAL PN)

(g) Inquiry for other than Multiple Family Housing (MFH) loans. Inquiry for these loan programs will be made through field terminals using procedures in the "Automated Discrepancy Processing System (ADPS)" manuals. (Added 12-28-88, PN 100)

(h) Loan Summary Statements. Upon request of a borrower, The Agency issues a loan summary statement that shows the account activity for each loan made or insured under the Consolidated Farm and Rural Development Act. The field office will post on the bulletin board a notice informing the borrower of the availability of the loan summary statement. See Exhibit A for a sample of the required notice.
(Renumbered and revised 12-28-88, PN 100)

(1) The loan summary statement period is from January 1 through December 31. The Finance Office forwards a copy of Form RD 1951-9, "Annual Statement of Loan Account," to field offices to be retained in borrower files as a permanent record of borrower account activity for the year. (Revised 12-28-88, PN 100)

(2) Quarterly Form RD 1951-9 are retained in the Finance Office on microfiche. These quarterly statements reflect cumulative data from the beginning of the current year through the end of the most recent quarter. If a borrower requests a loan summary statement with data through the most recent

RD Instruction 1951-A
§1951.7 (h)(2) (Con.)

quarter, County Supervisors may Request copies of these quarterly or annual statements by sending Form RD 1951-57, "Request for Loan Summary Statement," to the Finance Office. (Revised 12-28-88, PN 100)

(3) When a loan summary statement is requested by the borrower, the field office will copy the applicable annual or quarterly Forms RD 1951-9. A copy(ies) of Form RD 1951-9, a copy of Form RD 1951-58, "Basis for Loan Account Payment Application for Farmer Program Loans," and a copy of the promissory note showing borrower installments will constitute the loan summary statement provided to the borrower. (Revised 12-28-88, PN 100)

§1951.8 Types of payments.

(a) Regular payments. Regular payments are all payments other than extra payments and refunds. Usually, Regular payments are derived from farm income, as defined in §1962.4 of Subpart A of Part 1962 of this chapter. Regular payments also include payments derived from sources such as Agricultural Stabilization and Conservation Service payments (other than those referred to in paragraph (b) of this section), off-farm income, inheritances, life insurance, mineral royalties and income from mineral leases (see §1965.17 (c) of Subpart A of Part 1965 of this chapter), including income from leases or bonuses. Regular payments in the case of a Section 502 RH loan to an applicant involved in a mutual self-help project will include loan funds advanced for the payment of any part of the first and second installments. All payments to the lock box facility(ies) by direct payment borrowers are considered regular payments.
(Revised 11-12-93, SPECIAL PN.)

(b) Extra payments. Extra payments are payments derived from:

(1) Sale of chattels other than chattels which will be sold to produce farm income or real estate security, including rental or lease of real estate security of a depreciating or depleting nature.

(2) Refinancing of the real estate debt.

(3) Cash proceeds of real property insurance as provided in Subpart A of Part 1806 of this chapter (RD Instruction 426.1). (Renumbered 2-3-86, SPECIAL PN.)

(4) A sale of real estate not mortgaged to the Government, pursuant to a condition of loan approval. (Renumbered 2-3-86, SPECIAL PN.)

(5) Agricultural Conservation Program payments as provided in Subpart A of Part 1941 of this chapter. (Renumbered 2-3-86, SPECIAL PN.)

(6) Transactions of a similar nature which reduce the value of security other than chattels which will be sold to produce farm income. (Renumbered 2-3-86, SPECIAL PN.)

(c) Refunds. Refunds are payments derived from the return of unused loan or grant funds, except that the term "refunds" as used in Form RD 1940-17, "Promissory Note," will be construed to mean the return of funds advanced for capital goods, when a loan is made for operating purposes.

§1951.9 Distribution of payments when a borrower owes more than one type of Agency loan.

"Distribution" means dividing a payment into parts according to the rules set out in this section. This section only applies after the County Supervisor determines the amount of proceeds that will be released for other purposes in accordance with the annual plan (Form RD 431-2, "Farm and Home Plan") and Form RD 1962-1, "Agreement for the Use of Proceeds/Release of Chattel Security." (Revised 10-14-88, SPECIAL PN.)

(a) Distribution of regular payments.

(1) When a borrower owes more than one type of Agency loan, regular payments received from each crop year's income will be distributed in accordance with the following priorities:

(i) First, to an amount equal to any advances made by The Agency for the crop year's living and operating expenses. If no advances were made, distribute the payment according to paragraph (a)(1)(ii) of this section. If the amount of the payment was greater than the amount of any advances, the excess should be distributed according to paragraph (a)(1)(ii) of this section.

(ii) Second, to The Agency loans in proportion to the approximate amounts due on each for the year. In determining the amounts due for the year, deduct an amount equal to any advances for the year's living and operating expenses. If the amount of the payment exceeds the amount of any advances plus the amount due on each loan for the year, the excess should be distributed according to paragraph (a)(1)(iii) of this section.

(iii) Third, to The Agency loans in proportion to the delinquencies existing on each. If the amount of the payment exceeds the amount of any advances plus the amount due on each loan for the year plus any delinquencies, the excess should be distributed according to paragraph (a)(1)(iv) of this section.

RD Instruction 1951-A
§1951.9 (a)(1) (Con.)

(iv) Fourth, as advance payments on The Agency loans. In making such distribution consider the principal balance outstanding on each loan, the security position of the liens securing each loan, the borrower's request, and related circumstances.

(2) When the County Supervisor determines it is reasonable to expect that the income which will be available for payment on The Agency debts will be sufficient to pay the installments scheduled for the year under the first and second priorities, collections may be distributed so as to avoid unnecessary delinquencies, and regular payments derived from rental or lease of real estate security after approval of foreclosure or voluntary conveyance will be distributed to the real estate lien of the highest priority.

(3) Payments will be distributed differently than the priorities provided in this section if accounts are out of balance or a different distribution is needed to protect the Government's interest.

(4) Any income received from the sale of softwood timber on marginal land converted to the production of softwood timber must be applied on the ST loan(s). (Added 7-13-86, SPECIAL PN.)

(b) Distribution of extra payments. Extra payments will be distributed first to the Agency loan having highest priority of lien on the security from which the payment was derived. When the payment is in excess of the unpaid balance of the Agency lien having the highest priority, the balance of such payment will be distributed to the Agency loan having the next highest priority.

(c) Application of payments. After the decision is reached as to the amount of each payment that is to be distributed to the different loan types, application of the payment will be governed by §§1951.10 or 1951.11 of this subpart as appropriate.

§1951.10 Application of payments on production-type loan accounts.

Employees receiving payments on OL, EO, SW codes "24," EM for Subtitle B purposes, EE operating-type, and other production-type loan accounts will select, in accordance with the provisions of this section, the account(s) to which such payment will be applied. All payments on OL and EM loans approved on or before December 31, 1971, will be credited first to any administrative costs, then to noncapitalized interest, then to the amount of accrued deferred interest and then to principal. All payments on all other loans including OL and EM loans approved after December 31, 1971, will be credited first to any

administrative costs, then to noncapitalized interest, then to the amount of accrued deferred interest, then to interest accrued to the date of the payment and then to principal, in accordance with the terms of the note. This section only applies after the County Supervisor determines the amount of proceeds that will be released for other purposes in accordance with the annual plan (Form RD 431-2) and Form RD 1962-1. (Revised 12-8-89, SPECIAL PN)

(a) Rules for selection of accounts. The following rules will govern the selection of accounts and installments to which payments will be applied. As used in this section, "recoverable costs" are those which the loan agreement documents say the borrower is primarily responsible for paying and which the government can charge to the borrower's account.

(1) Payments from farm income or from assignments of income will be applied first to accounts with small balances, including recoverable costs, to remove such accounts from the records. Any balance will be applied on debts secured by the lien in the following order:

(i) To amounts due or falling due on loans made in connection with the current year's operations, except:

(A) When funds loaned for the purchase of capital goods were used to meet the current year's operating expenses, payments will be applied first to the final unpaid installments to the extent of the loan funds so used. These payments will be treated as extra payments.

(B) When installments on loans previously made fall due before the installment on the loan for the current year's operations or when such loans are delinquent and it is anticipated that sufficient income will be received to meet the installment on the current year's operations when due, collections may be applied first to installments on loans made in previous year.

(ii) To accounts having the oldest delinquencies, or if no delinquencies, to the oldest unpaid account, except that the amount available for payment on OL and EM loan accounts will be prorated between the two accounts on the basis of:

(A) The delinquent amount owed on each, or

(B) The total amount owed on each if there are no delinquencies.

(2) Non-Farm income and payments derived from the sale of real estate security, will be applied to the earliest account secured by the earliest lien covering such security. The amount to be applied to principal will be applied to the final unpaid installment(s).

(3) On partial refunds of loan advances, the amount to be applied to the principal will be applied to the final unpaid installments on the note which evidences such advance; however, a refund of an advance for current farm and home expenses repayable within the year may be applied to the principal on the first unpaid installment on such note as a regular payment.

(4) Total refunds of loan advances will be applied to the notes which evidence such advances.

(5) In applying payments from sources other than those in paragraphs (a)(2), (3), and (4) of this section, the borrower has the right to select the loan account or accounts on which such payments will be applied. In the absence of the borrower's selection, such payments generally will be applied in the following order: (Renumbered 04-30-92, SPECIAL PN.)

(i) To accounts with small balances, including recoverable costs.

(ii) To accounts with the oldest unsecured note(s).

(iii) To accounts with the oldest delinquencies.

(iv) To accounts with the oldest secured note or notes.

(6) Employees receiving collections are authorized to make exceptions to paragraph (a)(1), (2), and (5) of this section when it is necessary to apply a part of a payment to delinquent accounts to prevent the Federal Statute of Limitations from being asserted as a defense in suits on Agency claims. (Revised and Renumbered 04-30-92, SPECIAL PN.)

(b) Payments in full. Errors of a significant amount in computation or collection will be called to the attention of the collection official by the Finance Office. The borrower's note will not be returned until the balance on the loan account is paid in full. Claims by or on behalf of the borrowers that the amounts owed have been computed incorrectly will be referred to the Finance Office.

§1951.11 Application of payments on real estate accounts.

(a) Regular payments. If a borrower owes more than one type of real estate loan, or has received initial and subsequent real estate loans on which separate accounts are maintained, payments on such accounts should be applied so as to maintain the note accounts approximately in balance at the end of the

year with respect to installments due on the notes, other changes, and delinquencies.

(b) Refunds and extra payments.

(1) Refunds will be applied to the note representing the loan from which the advance was made.

(2) Extra payments will be applied to the note secured by the earliest mortgage on the property from which the extra payment was obtained.

(3) Funds remaining from an RH grant or a combination loan and grant, after completion of development, will be refunded. If the borrower received a combination loan and grant, the remaining funds up to the amount of the grant are considered to be grant funds.

(c) County Office actions.

(1) The collection official will complete Form RD 451-1, "Acknowledgement of Cash Payment," in accordance with the FMI when cash or money orders are received as a payment.

(2) The collection official will complete Form RD 451-2, "Schedule of Remittances," in accordance with the FMI.

(d) Finance Office handling.

(1) Regular payments will be handled as follows:

(i) Payments will be applied first to satisfy any administrative costs such as a charge for an uncollectible check (the amount of any such charges are available from any Agency office). (Added 12-8-89, SPECIAL PN.)

(ii) Amounts paid on direct loan accounts will be credited to the borrower's account as of the date of Form RD 451-2, or for direct payments the date payment is received in the Finance Office, and will be applied first to a portion of any interest which accrues during the deferral period, second to interest accrued to the date received, and third to principal, in accordance with the terms of the note. (Renumbered 12-8-89, SPECIAL PN.)

(iii) Amounts paid on insured loan accounts will be credited to the borrower's account as of the date of Form RD 451-2 or for direct payment the date is received in the Finance Office, and will be applied in the following order: (Renumbered 12-8-89, SPECIAL PN.)

(A) Advances from the insurance funds as shown on the latest Form RD 389-404, "Analysis of Accounts Maturing." (If the collection is intended for final payment of the loan, or to pay the insurance account in connection with an assumption agreement, the

collection will be applied first to the interest accrued on the advance to the date of the payment.)

(B) Principal advanced from the insurance fund.

(C) Unamortized costs.

(D) Amount due for amortized costs for taxes and insurance.

(E) Unpaid loan insurance charges, including the current year's charge, when applicable.

(F) First to a portion of any interest which accrues during the deferral period, second to accrued interest to the date of the payment on the note account and then to the principal balance of the note account in accordance with the terms of the note.

(2) Extra payments and refunds will be credited to the borrower's note account as of the date of Form RD 451-2 and will be applied first to a portion of any interest which accrues during the deferral period, second to interest accrued to the date of the receipt and third to principal in accordance with the terms of the note. The amount to be applied to principal will be applied to the final unpaid installment(s). Extra payments and refunds will not affect the schedule status of a borrower except indirectly in connection with the amortization of a direct loan.

(3) The Finance Office will remit final payments promptly to lenders. Other collections (regular, extra, and refunds) applied to a borrower's insured note will be accumulated until the annual installment due date, and will be remitted along any advances from the insurance fund to the lender within 30 days after the installment due date. All payments to a lender will be credited first to interest to the date of the Treasury check and then principal. Since the application of a payment to a borrower's account with the Government and the Government's account with a lender is of a different effective date, the balance owed by a borrower to the government and by the Government to a lender ordinarily will not be the same.

§1951.12 Changes in the application of loan payments.

(a) Authority to change payments. County Supervisors and Assistant County Supervisors are hereby authorized to approve requests for changes in the application of payments between loan accounts when payments have been applied in error and such requests conform to the policies expressed in this Subpart. However, no change will be made if the payment applied in error resulted in the payment in full of any Agency loan and the cancelled note or notes have been returned to the borrower.

RD Instruction 1951-A
§1951.12 (Con.)

(b) Form RD 1951-7, "Request for Change in Application." Requests for changes in application of payments will be made on Form RD 1951-7. For requests which County Supervisors or Assistant County Supervisors are authorized to approve, the County Supervisor or Assistant County Supervisor will sign the original of Form RD 1951-7 and forward it to the Finance Office will send Form RD 451-26 to the County Office when the change is made on Finance Office records. (Revised 5-3-89, PN 107)

(c) Changes by the Finance Office in application or remittances.

(1) When reapplication of collections is made by the Finance Office Form RD 451-8, "Journal Voucher for Loan Account Adjustments," will be prepared. Form RD 451-26 will be forwarded to the County Office to show the reapplication.

(2) When necessary, the Finance Office will correct Form RD 451-2 as prepared by the County Office.

§1951.13 Overpayments and refunds.

(a) The Finance Office will mail any overpayment refund check to the County Supervisor, who will verify that the refund is due before delivering the check.

(b) Borrower requests for overpayment refunds must be writing. Borrowers will be discouraged from requesting refunds when the County Office records show that a refund is not due, however, the County Supervisor will forward any requests to the Finance Office. Finance Office computations will control in determining the amount of any refund.

(c) Underpayments or overpayments of less than \$10 will not be collected or refunded (except as provided in paragraph (b) of this section) since the expense of processing the action would be more than the amount involved.

§1951.14 Recoverable and nonrecoverable cost charges.

(a) The County Supervisor will:

(1) Prepare vouchers for recoverable and nonrecoverable cost charges according to the applicable instruction for the type of advance being made. ("Recoverable costs" is defined in §1951.10 (a) of this subpart).

(2) If a recoverable cost, show on the voucher the fund code to which the advance is to be charged.

§1951.14(a) (Con.)

(3) If the cost item relates to security for more than one type of account, show the code for the loan secured by the earliest promissory note (if lien secures more v one note).

(b) The Finance Office will forward Form RD 451-26 to the County Office when the recoverable cost charge is processed.

§1951.15 Return of paid-in-full or satisfied notes to borrower.

(a) Notes not held in County Office. When the original of the note is not held in the County Office, the County Supervisor will request the Finance Office to acquire and forward the note to the County Office.

(b) Return of notes after collection. When a note (or loan-type account) evidencing an OL, EM, EE, EO, special livestock (SL), SW loan coded "24", or other production-type loan has been satisfied by payment in full, the County Supervisor will examine the borrower's records in the County Office and determine that the account has been satisfied before delivering the note to the borrower (see §1962.27 of Subpart A of Part 1962 on the satisfaction of chattel security instruments). The note(s) will be returned to the borrower immediately except that:

(1) When the final payment is made in a form other than currency and coin, Treasury check, cashier's check, certified check, Postal or bank money order, bank draft, or a check issued by a responsible lending institution or a responsible title insurance or title and trust company, the note or notes will not be surrendered until 30 days after the date of final payment, and

(2) When notes are needed in making marginal releases or satisfactions or security instruments, the notes will be held until the instruments are satisfied.

(c) Surrender of notes to effect collection.

(1) County Supervisors are authorized to surrender notes to borrowers when final payment of the amount due is made in the form of currency and coin, Treasury check, cashier's check, certified check, Postal or bank money order, bank draft, or a check issued by a responsible lending institution or a responsible title insurance or title trust company.

(2) The amount due on the note(s) to be surrendered will be confirmed with the Finance Office. County Supervisors will request the original note(s) from the Finance Office if it is not in the County Office.

(d) Return of notes reduced to judgment. Notes which have been reduced to judgment are a part of the court records and ordinarily cannot be withdrawn and returned to the borrower even after satisfaction of the judgment. Therefore, no effort will be made to obtain and return such notes except on the written request of the judgment debtor or debtor's attorney. Such requests will be referred to the Office of the General Counsel (OGC).

(e) Debt settlement case. See Subparts B or C of Part 1956 of this chapter for the handling of notes in debt settlement cases.
(Revised 04-10-91, SPECIAL PN.)

(f) Lost notes.

(1) All promissory notes dated on or after 11-1-73 are held in the County Office. A few notes (with the exception of OL notes) are still held by investors. If a note dated prior to 11-1-73 cannot be located in the County Office and it is needed for servicing the case, the County Supervisor will write a memorandum to the Finance Office explaining why the note is needed. The request should give the name and case number of the borrower, date and original amount of the loan, type of loan and loan code.

(2) If a promissory note is lost in the County Office and it is needed for servicing a case, the State Director may authorize the County Supervisor to execute an appropriate affidavit regarding the lost note. The form of such an affidavit will be provided by OGC.

§1951.16 Other servicing actions on real estate type loan accounts.

(a) Installment on note and other charges.

(1) Direct loan accounts. For borrower with a direct loan, the term "installment on note and other charges," as used in this subpart, will be the sum of the following:

(i) Annual installment for the year as provided in the promissory note(s).

(ii) Any recoverable cost charges paid for the borrower during the year. ("Recoverable costs" is defined in §1951.10(a) of this subpart.)

§1956.16 (a) (Con.)

(2) Insured loan accounts. "Loan insurance charge" means a separate insurance charge applying to FO and SW insured loans evidenced by promissory note forms bearing a form date before January 8, 1959. For all insured loans evidenced by note forms bearing a form date of January 8, 1959, or later, the insurance charge is called "annual charge" and is included in the interest position of the annual installment in the note. For a borrower with an insured loan, the term "Installment on note and other charge" means the sum of the following:

(i) Annual installment for the year as provided in the promissory note.

(ii) Amounts owed the Agricultural Credit Insurance Fund. These amounts are covered by the general term "Insurance Account" and consist of the following:

(A) Unpaid loan insurance charges from prior years.

(B) Loan insurance charge for the current year. The loan insurance charge is computed on the basis of the amount of the unpaid principal obligation as of the installment due date and is due and payable on or before the next installment due date.

(C) Any unpaid balance on advances from the insurance fund, including any recoverable cost charges paid for the borrower during the year.

(D) Any accrued interest on advances from the insurance funds.

(iii) The amounts owed on the insurance account must be paid by regular payments each year whether or not the note account is ahead of schedule.

(b) Schedule status. For direct and insured loans, a borrower will be on schedule when the sum of regular payments through the last preceding due date of the note equals the sum of installments on the note and other charges due through the same date. Such a borrower will be ahead of schedule or behind schedule when the sum of such regular payments is larger or smaller, respectively, than the sum of such installments on the note and other charges.

(c) Real estate payments. A borrower may make regular payments ahead of schedule at any time and use them later to forego payments or to supplement the amount available during any year for payment on the annual installment on the note and other charges. Refunds and extra payments will not be used in this way.

§1951.17 - 1951.24 [Reserved]

§1951.25 Review of limited resource FO, OL, and SW loans.

(Revised 03-18-93, SPECIAL PN.)

(a) Frequency of reviews. OL, FO, and SW loans will be reviewed each year at the time the analysis is conducted in accordance with Subpart B of Part 1924 of this chapter and any time a servicing action such as consolidation, rescheduling, reamortization or deferral is taken. The interest rate may not be changed more often than quarterly. (Revised 03-18-93, SPECIAL PN.)

(b) Method of review.

(1) Each loan will be considered on its own merit.

(2) The County Supervisor should consider:

(i) The borrower's income and repayment record during the preceding years;

(ii) The projections shown on the most recent Farm and Home Plan or other similar plan of operation acceptable to The Agency, in light of the previous year's projected figures and actual figures; (See Subpart B of Part 1924 of this chapter)

(iii) Whether improved production practices have been or need to be implemented;

(iv) The borrower's progress as a farmer; and

(v) All other factors which the County Supervisor believes should be considered.

(3) The Farm and Home Plan projections for the coming year must show that the "balance available to pay debts" exceeds the amount needed to pay debts by at least 10 percent before an increase in interest rate is put into effect. Borrowers that continually purchase unplanned items without the County Supervisor's approval will have the interest rate on their loans increased to the current rate for that loan type. Borrowers that fail to provide the County Supervisor with the information needed to conduct the analysis required in Subpart B of Part 1924 of this chapter will have their interest rate on their loan increased to the current rate for the OL, FO, or SW loan as applicable. The rate may increase in increments of whole numbers to the current regular interest rate for borrowers. In the borrower's case file, the County Supervisor must document the unplanned purchases and the failure to provide information in a timely manner. The County Supervisor must write the borrower a letter which sets out the facts documented in the case file and advises the borrower that the interest rate will be increased unless the unplanned purchases cease or unless the borrower provides information in a timely manner. Whenever it appears that the borrower has a substantial increase in income and repayment ability or ceases farming, either the interest

§1951.25 (b)(3) (Con.)

rate may be increased to the current rate for FO, OL, or SW loans, as applicable, or the borrower will be graduated from the program as provided in Subpart F of this part. (Revised 03-18-93, SPECIAL PN.)

(4) The County Office will be responsible for scheduling and completing the reviews.

(5) Borrowers who have received a deferral under Subpart S of this part will not have the interest rate increased on their limited resource loans during the deferral period. (Revised 10-14-88, SPECIAL PN.)

(c) Processing.

(1) If, after the review, the interest rate is to remain the same, no further action needs to be taken.

(2) When the interest rate is increased to the current rate, the loan will be recorded as a regular loan and will no longer be considered a limited resource loan. The borrower must be notified in writing at least 30 days prior to the date of the change. Exhibit B of this subpart may be used as a guide. The effective date of the change in interest rate will be the effective date on Exhibit B. The borrower must be informed of the following for each loan: (Revised 01-30-91, PN 155.)

- (i) The authorization for the change,
- (ii) Reason for change (repayment ability, etc.),
- (iii) The effective date and rate of the increase in interest,
- (iv) Amount of the new installments and dates due,
- (v) Right to appeal.

(3) It is not necessary to obtain a new promissory note for this change in interest rate.

§1951.26 Resolution of problem cases. (Added 8-9-89, PN 115.)

Loan servicing problems which cannot be resolved through normal transaction processing or other loan servicing methods should be submitted to the Finance Office as problem cases.

(a) County Office actions.

(1) The County Office will submit Form RD 1951-62, "Explanation of Problem Case," through the State Office for each problem case. The County Office must assure that all supporting documentation is provided to help in resolving the problem case.

(2) If the problem relates to an unprocessed form, such as a payment assistance agreement, a copy of the form should be attached to the Form RD 1951-62. Each delinquency audit request should have Form RD 1951-63, "Delinquency Audit Worksheet," attached with all supporting documentation. (Revised 10-27-95, SPECIAL PN.)

(3) When the application of a direct payment is in question, a copy of both front and back of either the endorsed check or money order should be provided.

(b) State correspondence coordinator actions.

(1) The appointed coordinator will serve as the contact point for resolving any questions or problems as they arise. Each Form RD 1951-63 will reference one borrower. Any correspondence related to loan servicing received by the Finance Office directly from the County Office will be returned to the State Office without action being taken.

(2) After screening all problem cases submitted from the County Offices for accuracy and completeness, the State Office will forward the problem cases to the Finance Office. Problem cases should be blocked and sent to the Finance Office as a single package by the first of each month. Form RD 1951-61, "Control of Problem Case Correspondence," will be submitted with the package identifying each problem case submitted. Form RD 1951-61 will be used to coordinate efforts between the State Office and the Finance Office to assure that all correspondence is resolved.

(c) Telephone calls. Telephone calls from County Offices relating to cases in the process of being handled through correspondence must pass through the state coordinator or his/her designee. If County or State Offices have any problems or questions concerning any of the cleared correspondence on the Monthly Correspondence Report, they may call directly to the Finance Office loan servicing team that services their state (Exhibit C).

(d) Finance Office actions. The Finance Office will give priority handling to problems submitted through the problem case resolution system. Depending on the complexity of the problem case, all cases will not necessarily be resolved during the month the case is received. The Finance Office will return all responses through the State Office with a copy going to the originating field office. In addition, the Finance Office will provide a Monthly Correspondence Report to each State and County Office. For those offices having activity, the report shows the current status of each case for the two categories, items uncleared and items cleared.

(e) Activities not impacted by the problem case resolution system.

(1) Form RD 451-2, "Schedule of Remittances," when found to be in error, should be copied and sent directly to the Finance Office with a Form AD-311. "Speed Memo," containing an explanation of the problem. These corrections will be in addition to the problem cases submitted through the State Office. If Form RD 451-2 was part of a concentration banking packet, all related problems are to be directed to the Collections Branch.

(2) Correspondence related to the servicing of Automated Multi-Housing Accounting System (AMAS) loans can be submitted to the appropriate State AMAS Coordinator.

(3) Correspondence related to the servicing of community program loans may still be sent directly to the Finance Office.

§1951.27 - 1951.49 [Reserved]

§1951.50 OMB control number.

The collection of information requirements in Subpart A of Part 1951 have been approved by the Office of Management and Budget and assigned OMB control number 0575-0075. (Added 7-13-87, SPECIAL PN.)

Attachments: Exhibits A, B, and C.

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(Revision 1)

(11-1-85) SPECIAL PN

NOTICE TO AGENCY BORROWERS

Agency borrowers with farmer program and community program loan types made under the Consolidated Farm and Rural Development Act may request a loan summary statement which shows the calendar year account activity for each loan. Interested borrowers may request these statements through their local Agency office.

United States Department of Agriculture
(insert Agency name)
(insert date)

NOTICE OF CHANGE IN INTEREST RATE

[(insert borrower's address) RE: |__|__| - |__|__| - |__|__|
FUND LOAN KIND
[CODE NUMBER CODE

Dear (insert borrower's name and case number)

Your promissory note dated _____ for the original amount of _____ dollars (\$) provides for a change in interest rate for a limited resource loan in accordance with Rural Development regulations.

Effective (insert date) the interest rate on this loan will be _____ percent (%) on the unpaid principal balance. Your installment due January 1, 19__, will be _____ dollars (\$). This change in interest rate is for the reason indicated below.

|__| Increase in repayment ability as per Farm and Home Plan dated _____.

|__| (insert reason if other than above for increase in interest rate) .

You may appeal this action by writing to (hearing officer) (address) within 30 calendar days of the date of this letter, giving the reason why you believe this matter should be decided differently. This time may be extended if you cannot notify the hearing officer within 30 days for reasons beyond your control.

Sincerely,

County Supervisor

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MONTHLY ALLOTMENT BY STATE

<u>State</u>	<u>Finance Office Contact</u>	<u>FTS Phone Number</u>	<u>Supervisor</u>	<u>FTS Phone Number</u>
01-AL	Patsy Miller	262-6475	Susan Whitaker	262-2843
02-AZ	Joann Eide	262-2446	Susan Whitaker	262-2843
03-AR	Jean Hopson	262-2824	Susan Whitaker	262-2843
04-CA	Denise Jackson	262-6141	Rosalie Dugan	262-6031
05-CO	Denise Jackson	262-6141	Rosalie Dugan	262-6031
06-CT	Jean Hopson	262-2824	Susan Whitaker	262-2843
07-DE	Patsy Miller	262-6475	Susan Whitaker	262-2843
09-FL	Patsy Miller	262-6475	Susan Whitaker	262-2843
10-GA	Linda Nattier	262-6472	Rosalie Dugan	262-6031
12-ID	Karen Johnisee	262-6421	Rosalie Dugan	262-6031
13-IL	Karen Johnisee	262-6421	Rosalie Dugan	262-6031
15-IN	Karen Johnisee	262-6421	Rosalie Dugan	262-6031
16-IA	Linda Nattier	262-6472	Rosalie Dugan	262-6031
18-KS	Joann Eide	262-2446	Susan Whitaker	262-2843
20-KY	Denise Jackson	262-6141	Rosalie Dugan	262-6031
22-LA	Joann Eide	262-2446	Susan Whitaker	262-2843
23-ME	Jim Carey	262-2866	Susan Sasenger	262-6476
24-MD	Patsy Miller	262-6475	Susan Whitaker	262-2843
25-MA	Jean Hopson	262-2824	Susan Whitaker	262-2843
26-MI	Jim Carey	262-2866	Susan Sasenger	262-6476
27-MN	Paula Ellis	262-6678	Susan Sasenger	262-6476
28-MS	Cynthia Peck	262-6078	Rosemary Treece	262-6649
29-MO	Janet Stock	262-2461	Rosemary Treece	262-6649
31-MT	Dawn Smith	262-6079	Rosemary Treece	262-6649
32-NE	Joseph Wolff	262-2890	Susan Sasenger	262-6476
33-NV	Sharon Gottlieb	262-6641	Sharon Kiefner	262-6650
34-NH	Paula Ellis	262-6678	Susan Sasenger	262-6476
35-NJ	Paula Ellis	262-6678	Susan Sasenger	262-6476
36-NM	Cynthia Peck	262-6078	Rosemary Treece	262-6649
37-NY	Joseph Wolff	262-2890	Susan Sasenger	262-6476
38-NC	Dawn Smith	262-6079	Rosemary Treece	262-6649
40-ND	Janet Stock	262-2461	Rosemary Treece	262-6649
41-OH	Joseph Wolff	262-2890	Susan Sasenger	262-6476
42-OK	Caroline Crecelius	262-6665	Carolyn Lane	262-6661
43-OR	Jean Hopson	262-2824	Susan Whitaker	262-2843
44-PA	Claire Banaskavich	262-6642	Sharon Kiefner	262-6650
45-RI	Jean Hopson	262-2824	Susan Whitaker	262-2843
46-SC	Fran Harris	262-6669	Sharon Kiefner	262-6650
47-SD	Fran Harris	262-6669	Sharon Kiefner	262-6650
48-TN	Kathryn Biddle	262-6643	Carolyn Lane	262-6661
49-TX	Caroline Crecelius	262-6665	Carolyn Lane	262-6661
52-UT	Sharon Gottlieb	262-6641	Sharon Kiefner	262-6650
53-VT	Paula Ellis	262-6678	Susan Sasenger	262-6476
54-VA	Irene Snyder	262-6670	Carolyn Lane	262-6661
56-WA	Sharon Gottlieb	262-6641	Sharon Kiefner	262-6650

RD Instruction 1951-A
Exhibit C
Page 2

<u>State</u>	<u>Finance Office Contact</u>	<u>FTS Phone Number</u>	<u>Supervisor</u>	<u>FTS Phone Number</u>
57-WV	Kathryn Biddle	262-6643	Carolyn Lane	262-6661
58-WI	Sharon Gottlieb	262-6641	Sharon Kiefner	262-6650
59-WY	Claire Banaskavich	262-6642	Sharon Kiefner	262-6650
60-AK	Irene Snyder	262-6670	Carolyn Lane	262-6661
61-HI	Kathryn Biddle	262-6643	Carolyn Lane	262-6661
62-GU	Irene Snyder	262-6670	Carolyn Lane	262-6661
63-PR	Claire Banaskavich	262-6642	Sharon Kiefner	262-6650
64-VI	Paula Ellis	262-6678	Susan Sasenger	262-6476

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Automation Supplement not automated see manual

DEBT AND LOAN RESTRUCTURING SYSTEM
(DALR\$)
for Farmer Program Accounts

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Attachment 1- Tutorial Exercise and Report

Attachment 2- Sample Report with Softwood Timber Notation

FILING INSTRUCTIONS: Following RD Instruction 1951-A

The Debt and Loan Restructuring System (DALR\$) for farmer program accounts is a computerized decision support tool. It will quickly calculate and report the effect of servicing actions on a borrower's farmer program loans as permitted by RD Instruction 1951-A. The system is designed to assist both Agency field staff and borrowers by reducing the time required to calculate loan repayments under the various servicing alternatives. The system may be used to determine a variety of possible servicing actions based upon various restructuring plans for non-Agency debt and changes in balance available on the farm plan or Agency debt structure.

SYSTEM FEATURES

1. DALR\$ is designed to be user friendly, easy to learn and easy to use. Intensive on-line help is built into the system to help you enter the correct data. Extensive error checking is also built in to help you avoid mistakes in data entry.
2. DALR\$ is designed to compute payments in a way that will maximize the possibility of developing an Agency debt repayment structure which the borrower can meet. Loans are considered for servicing in the order which will result in the greatest benefit to the borrower at lowest cost to the Government.
3. DALR\$ generates a report indicating the data input, servicing actions considered, and if a feasible payment structure is calculated, the servicing actions which should be taken on the borrower's loans.

SYSTEM FUNCTION

Step 1: DALR\$ begins by calculating a first year debt profile and cash flow summary based upon the borrower's existing Agency loan repayment schedule. The system will then work toward eliminating any shortfall in cashflow using servicing actions. DALR\$ will service as many loans as necessary to create a positive cashflow and stops when a positive cashflow is achieved and all loans indicated as delinquent have been rescheduled or reamortized.

Step 2: The system reschedules/reamortizes loans at the lower of the current program interest rate or the original loan note interest rate. The loans are selected first in the order of greatest reduction of interest rate, and then from smallest to largest loan balance.

Step 2 (cont.): The system will not take actions on loans when rescheduling/reamortizing would increase payments and the loan(s) were not indicated as delinquent.

Step 3: DALR\$ reschedules/reamortizes eligible loans at limited resource rates. The system first considers limited resource rates on any new Agency loans planned. Existing loans are then considered in the order of greatest reduction of interest rate.

Step 4: The system then considers any proposed reduction or long term deferral (i.e. softwood timber loan) of Agency debt. After the loan balance is reduced, the system recomputes the loan payment(s) based on the new loan balance.

Step 5: If a positive first year cashflow has still not been achieved, the system begins selecting loans for deferral. Loans are selected for deferral in the order of minimizing the increase in repayment after deferral per decrease in first year repayment. When loans have the same rates and terms, the loan with the smallest balance is deferred first.

Step 6: The system considers loans for unequal repayment schedules if a full deferral creates a negative cashflow after the deferral period. Unequal payment schedules are also generated if a portion of a loan has been identified as annual operating expense not to be rescheduled. The unequal payments are calculated in accordance with Rural Development Regulations.

Step 7: If the system cannot find a repayment structure that will permit a positive cashflow, it calculates the amount of repayment reduction necessary to create a positive cashflow.

Step 8: The system completes calculations and asks if you want a print out of the calculations just completed. A copy of the report is always stored for later printing.

GETTING STARTED ON DALR\$

1. Log on to AFMS. From the AFMS master menu, select option 6, other features, and press the return key. From the Other Features Menu, select option 4, Exit to UNIX. At the UNIX prompt, type dalrs (no \$) and press return. WARNING: DALR\$ may not operate properly if UNIX is accessed from option 7 on the AFMS main menu.

2. You will be asked if you want to proceed. An "n" response will return you to the UNIX prompt. On a "y" response, the DALR\$ introduction screen appears. As the screen indicates, the system takes approximately 2 minutes to load into the 3B2 working memory. Once loaded, any number of entries and calculations can be made without reloading the system. However, if you exit DALR\$ at any time, you will have to reload the system prior to using it again.

3. When the system is loaded, follow directions on the screen and the DALR\$ system menu will appear. First time or novice users will need to select option A from the DALR\$ system menu, and read through all selections on the main help menu. The help sections provide essential information on system use, keystrokes, menus, and system functions. The system also provides the option of printing the various help sections under the help menu.

4. If you are not sure what to enter in any data field, an explanation can be obtained by pressing the question mark (hold down the shift key and press the ? key, while the cursor is in the first position of the field you do not understand. When you are finished with the help message, you will be returned to the same location on the screen to enter the data.

5. DALR\$ has an intensive help system which can be turned off and on. Intensive Help provides instructions and descriptions of each data entry screen before it appears. Intensive Help is off when the system loads, and may be turned on by selecting option G. from the system main menu. New or novice users should turn on the Intensive Help Facility until they become familiar with DALR\$ data screens. Help is always available via menu selection or the "?" key even when Intensive Help is turned off.

6. Check and/or change system defaults. In calculating servicing actions, DALR\$ considers current program interest rates based on the fund code, loan type, and effective date. When The Agency interest rates change, a new rate table must be added to reflect the new rates in the system. When a new rate table is added, it must be verified prior to use. It is strongly recommended that the table be verified by someone other than the person who added it. The effective date on the new table must correspond with the effective date of the rate change as reflected on the Procedure Notice which changed the rates. The effective dates of tables in the system may be reviewed through the system menu. The system also has the capability to enter default state and county codes for case numbers (borrower I.D.). These can also be set from the system menu.

7. Attachment 1 to this supplement is a practice exercise. New users should work through this exercise prior to attempting an actual case. The printed report should exactly match the one in Attachment 1.

8. To calculate servicing actions for a borrower, you will need, as a minimum, a farm and home plan for the coming or typical year and account status information. It is not necessary to prepare a plan for the year after the deferral period to consider servicing actions through DALR\$. The system will automatically load zeros in the data fields for year after deferral when basic information is entered for a new borrower. **WARNING: IF YOU ENTER INFORMATION IN THE YEAR AFTER DEFERRAL COLUMN, YOU MUST FIRST CLEAR THE FIELDS TO REMOVE THE 0 (zero).** Initial calculations may be performed with 0 (zero) in all data fields for the year after deferral. However, if initial calculations indicate that a feasible plan is not possible without deferral, you must prepare a realistic farmplan for the year after the deferral period, enter the data into the system, and recalculate the servicing actions to properly document the consideration of loan deferral.

9. DALR\$ is programmed to consider deferrals to maximize the possibility of finding a feasible set of servicing actions. However, this method will at times result in an answer that will work, but is not optimum. In certain situations, DALR\$ will defer one large long term loan rather than 2, 3 or more shorter term loans with smaller balances. This may create an unnecessarily large cashflow margin and result in excessive interest accrual during the deferral period. If the outcome appears to show an excessive cashflow and interest accrual, you may wish to recalculate the case. For the system to recalculate and defer different loans, edit the record for the loan involved to indicate that this loan should not be considered for deferral, and recalculate. If DALR\$ does not find a feasible solution without deferring the loan, the earlier calculations should be used. However, if there is another solution, the interest accrual and cashflow during deferral should be compared to those of the prior report. If interest accrual during deferral is reduced with the loan in question not deferred, the actions indicated on the report are more favorable and should be used if the solution is feasible.

10. After calculations are completed, the system will store the results and print out a report of the calculations if a hard copy is requested. Note that reports are saved in the computer and can be reprinted without recalculating.

SUGGESTIONS FOR USING DALR\$

1. It will save time to enter a borrower's loan data into the system prior to his/her office appointment. When the borrower arrives, complete the farm plan, enter the necessary information from the plan into the system, and run the calculations. This will allow more time with the borrower to consider alternatives rather than he/she having to wait while loan data is entered.
2. Use the capabilities of the system to consider alternatives, i.e. "What if..?" What if the borrower sells 40 acres? What if a creditor reduces payments? With minimal edits, many different scenarios can be considered in a short time.
3. Review the output report with the borrower. Point out the amount his/her Agency loan payments were reduced by servicing actions. Use the report to show the borrower that Agency is considering all servicing authorities in attempting to resolve his/her repayment problems.
4. The report generated by DALR\$ provides thorough documentation of the actions considered in servicing the borrower's account. Be sure to file a copy of any DALR\$ reports in position 3 of the case file.
5. DALR\$ can be used to complete the promissory note and related forms. It is programmed to accrue interest, round off, and calculate payments in accordance with Agency procedures. To do this, a) the effective date entered into the system must be the date the rescheduling, etc. takes place, and b) the loan balances entered into the system must be accurate. If the effective date is not correct, use the edit menu to change the effective date to the one desired and recalculate. If the borrower makes a payment between the time the report was run and the effective date, edit the loan balance and accrual date information and recalculate.
6. The system can be used in calculating eligibility for the Softwood Timber (ST) Program. This can be done as follows:
 - A. You should first use DALR\$ to determine and document that a positive cashflow cannot be achieved using reamortization/rescheduling/deferral authorities.
 - B. If the borrower meets the criteria in Section 1951.46(c) of this subpart, proceed by multiplying the balance available in the first year by (.95).

SUGGESTIONS FOR USING DALR\$- ST Loans (cont.)

C. On the DALR\$ report, under "CASH FLOW SUMMARY PRIOR TO DEFERRALS", locate "Total Payments Due in the 1st Year" column. Subtract the amount derived in step B. above from this amount. The result is the amount of Agency payment decrease necessary to achieve a positive cashflow as defined in Section 1951.46(b)(4) of this subpart.

D. Determine which loan will be converted to ST in whole or part, and divide the amortization factor for that loan (at the new rates and terms indicated on the report) into the result derived in step C above. The result of this division will be the amount of debt needed for conversion to ST in thousands of dollars.

E. If more than one loan must be converted to ST, subtract the new payment indicated on the report for the first loan to be converted to ST from the amount derived in step C above and repeat step D. above for the next loan to be considered. This can be repeated until an acceptable amount for conversion to ST is derived or it is determined that the borrower does not qualify.

F. Use the borrower edit menu to enter the amount converted to ST for the appropriate loan(s) in the debt reduction field of the loan edit screen, and recalculate. IMPORTANT:

- 1) After printing a new report, make sure that the ratio of balance available to debt repayment in the 1st Year on the summary page of the report is AT LEAST 1.05.
- 2) Note on the report that the amount indicated as debt reduction is being converted to an ST loan. BE SURE to include copies of the reports generated in steps A. and F. above in the case file to document the actions taken. Sample pages of a report with loans converted to ST are attached to this supplement as attachment 2.

TROUBLE SHOOTING

Normally, you should not encounter any problems with the DALR\$. However, there is the possibility for a few problems:

Problem

The system does not appear to follow your selections or requested responses.

Solution

You are probably hitting extra carriage returns or not following the proper keystroke procedures. Follow the screen instructions on keyboard responses exactly. You may wish to reread the help section on keystrokes.

Problem

You get a message like this:

```
error line 12345  
*
```

Solution

At the * type: quit and press [RETURN]. You will exit DALR\$ and return to your UNIX prompt. Begin DALR\$ again. Print out the report for the calculation which caused the error. You will be able to see from the report where the error occurred. Also check that the data entered is correct. The data entered is on page 1 of the report. If you have made all corrections to data and problems persist, follow your state's procedures for AFMS problems.

Problem

Values on the printed report do not appear correct.

Solution

This is probably due to a data entry error. Review the basic borrower and loan information carefully, and correct any mistakes. If you believe the data entry is correct and the report still appears to be in error, contact the state Office Farmer Program staff for assistance in correct data entry or interpretation of the DALR\$ report.

TROUBLE SHOOTING (cont.)

Problem

Help screens accessed by the "?" key are full of strange characters, garbled, and unreadable.

Solution

The terminal is in graphics mode. DALR\$ is otherwise unaffected, and will operate and calculate normally except for the data field help screens. To correct the problem, exit DALR\$. At the UNIX prompt, press the ESC (escape) key, then press the "y" key (not at the same time as for data entry commands in DALR\$) and press [RETURN]. You will receive the message "^[y: not found " but do not worry, the command did work. This keystroke sequence turns off graphics mode. You may now reload DALR\$; the help screens called by pressing "?" should operate properly.

As you use the system, you will become more comfortable with commands, keystrokes, etc. Don't be afraid to use the system and make mistakes. You can't hurt your 3B2 or PC even if you "crash" in DALR\$. The worst that can happen is that you may get stuck and have to leave the system and re-enter it from your UNIX prompt, or get stuck so badly that a runaway process is created. If this happens, have your system manager kill the process and continue. The power of the system is worth the effort. You should not have many problems, and in time you will learn to avoid most, if not all of them.

DALR\$ is a tool to assist in decision making. It only makes calculations based upon the input data. Realistic farm planning, sound decision making, and compliance with Rural Development Instructions are still essential parts of borrower servicing.

Automation Supplement B page 9 not automated see manual

DALR\$ Tutorial

This exercise is designed to provide practice in entering data into the DALR\$ System. When you have completed this exercise you should have a basic understanding of the DALR\$ system, how data is entered and edited, and how to calculate and generate a report.

Instructions:

1. Load DALR\$ as outlined on page 3 of this automation supplement.
2. If this is the first time you have used DALR\$, when you reach the system menu, turn on intensive help by selecting Option G. Also, you should select Option A., "Help Information on This System and its Use". Select and read through all options on the main help menu. Note that the help screens may be printed for future reference.
3. After completing step 2, return to the main system menu. You are now ready to enter the sample data below. As you enter the data, take the opportunity to read the help screens available in each data field by pressing the ? key prior to entering data in the field.

Practice Case Input Data

Borrower Information

borrower name: John Q. Sample case number: 41-95-234123456
 deferral period: 5 years effective date: February 25, 1988

Farm and Home Plan Information

	<u>1st Year</u>	<u>Year After Deferral</u>
Balance Available	28346	34561
Non-Agency Debt Repayment, Non-Agency Ann. Operating Expense, and Taxes	11624	8340
Agency Loan for Annual Operating	11922	8200
Avg Mos. Agency Ann. Operating Loan will be outstanding	6.6	8

New intermediate/long term loans: A \$6000 operating loan to refinance other creditors is planned for the first year. The loan will be at 9% for 7 years.

Practice Case Input Data (continued)

Existing Loan Data

fund code	46	41	29	43	44
loan no.	01	02	04	05	07
loan type	NA	FO	RE	LR	OL
original					
note rate	12	13.5	13.5	5	6
servicing					
actions	N	D	D	Y	D
elig. for					
deferral	N	Y	Y	Y	Y
remain/					
reached term	25	33	28	16	15
prin bal	18920.71	89422.65	36895.48	10965.20	16921.50
accrued int	167.95	11401.63	2120.49	821.36	27.82
existing					
int rate	12	8.5	11.5	5	6
payment 1st yr	2460	15720	4743	698	8141
accrual date	1/25/88	1/1/88	2/1/88	1/25/88	2/15/88
payment after					
deferral	2460	NA	NA	NA	NA

Additional Information

The borrower will receive \$4000 from sale of a building lot and has agreed to apply the proceeds to loan 29-04.

There is a \$4921.50 carryover of last year's annual operating expenses on loan 44-07. This amount will be paid in 3 months from sale of fat cattle financed by loan 44-07.

4. When all data has been entered, run the calculations and print the report of the calculations. The report generated for you by DALR\$ should match the report in this attachment. If your report does not match, it should be due to a data entry error. Review the input data on page one of your report. Correct any mistakes and recalculate.

5. For additional practice, try editing the basic borrower or existing loan information. After you have changed the data, recalculate and print the report. What effect did the changes you made have on the potential servicing actions for the borrower?

Automation Supplement B, Attachment 1 pgs 3, 4, 5, 6, 7, & 8 not automated see manual

Automation Supplement B, Attachment 2 not automated see manual