

Subpart A—Account Servicing Policies

SOURCE: 50 FR 45764, Nov. 1, 1985, unless otherwise noted.

§ 1951.1 Purpose.

This subpart sets forth the policies and procedures to use in servicing Farmer Program loans (FP) which include Softwood Timber (ST), Operating Loan (OL), Farm Ownership (FO), Soil and Water (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. 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.

[52 FR 26134, July 13, 1987]

§ 1951.2 Policy.

Borrowers are expected to pay their debts to the Farmers Home Administration or its successor agency under Public Law 103-354 (FmHA or its successor agency under Public Law 103-354) 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 account 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.

County Supervisors and District Directors are responsible for servicing all FmHA or its successor agency under Public Law 103-354 accounts serviced by the County and District Offices as prescribed by this subpart under the general guidance and supervision of District Directors and State Office personnel. Full use will be made of the County Office Management System in account servicing. For the purposes of this Subpart, all references to "County Supervisor" shall be construed to mean "District Director" for all loans serviced by the District Office.

§§ 1951.4-1951.5 [Reserved]

§ 1951.6 Handling payments.

(a) *Payments on Rural Housing (RH) loans.* Payments on RH loans will be handled in accordance with subparts B and G of this part.

(b) *Payments for other than RH, FO and SW loans.* These payments will be handled in accordance with part 1951, subpart B.

(c) *Payments for FO and SW loans.* (1) Payments made through the County Office without direct payment coupons for FO and SW loans will be handled in accordance with part 1951, subpart B.

(2) Payments for FO and SW individual loans made through the County Office with Form FmHA or its successor agency under Public Law 103-354 370-46A, Expanded Direct Payment Coupon, will be handled as follows:

(i) County Supervisors may put FO and SW individual borrowers on the Expanded Direct Payment Coupon system if the borrower only needs limited credit counseling or only makes one annual installment payment per year on the loan.

(ii) For new loans, the County Supervisor will indicate by checking the appropriate block on Form FmHA or its successor agency under Public Law 103-354 1940-1, "Request For Obligation of Funds," that for selected borrowers Expanded Direct Payment Coupons are to be mailed to the County Office.

(iii) An existing loan borrower may be put on or taken off this Expanded Direct Payment Coupon system by filling out Form FmHA or its successor agency under Public Law 103-354 1951-34, "Direct Payment Plan Change," in accordance with the Forms Manual Insert (FMI) and entering it via the field office terminal system.

(iv) Payments must be made by check or money order payable to the Farmer Home Administration. If a field office is on concentration banking, the checks and/or money orders are deposited in the concentrator bank. The coupons are forwarded directly to the Finance Office in accordance with concentration banking procedures. If a field office is not on concentration banking, the coupons and checks and/or money orders are placed in one envelope and mailed to the Finance Office with any other items being mailed that day.

(v) The Finance Office, upon receipt of the payment coupon and check or money order, will credit the borrower's account with payment as of the date the payment is received in the field office.

(vi) When the Finance Office received payment coupon number 10, a new supply of coupons will be mailed to the County Office. All 12 payment coupons should be used before using the new supply.

(3) Direct payment for FO and SW loans mailed directly to the Finance Office by the borrower are handled as follows:

(i) The County Supervisor will select the FO and SW borrowers who, in the Supervisor's opinion, are capable of making direct payments to the Financing Office. The County Supervisor will not select borrowers who (A) will need frequent credit counseling, (B) because of the lack of education or other reasons, are not capable of assuming responsibility for making payments directly to the Finance Office, or (C) have payments directly assigned to FmHA or its successor agency under Public Law 103-354, such as milk assignments. The fact that a borrower does not maintain a checking account will not, however, prevent selection for direct payments.

(ii) For new loans the County Supervisor will indicate on Form FmHA or its successor agency under Public Law 103-354 1940-1 the selected borrowers by checking the appropriate box. The payment coupon packet will be forwarded to the County Office at the time the loan is obligated. It will be delivered to the borrower at loan closing, at which time the use of the payment coupons will be explained to the borrower.

(iii) For Assumption Agreements, the packet will be mailed to the borrower at the time the Assumption Agreement is processed in the Finance Office.

(iv) The payment coupons and pre-addressed envelopes, together with instructions on how to use the coupons and a record keeping card, will be assembled into an envelope in which the borrower may retain the records. The Form FmHA or its successor agency under Public Law 103-354 370-46, "Direct Payment Coupon," will be numbered 1-12, even though the borrower may have less or more than 12 payments scheduled during the year.

(v) The Finance Office, upon receipt of Form FmHA or its successor agency under Public Law 103-354 370-46 and a check or money order, will credit the borrower's account with payment as of the date the payment is received by the Finance Office.

(vi) When the Finance Office receives Form FmHA or its successor agency under Public Law 103-354 370-46 for payment number 10, a new supply of Forms FmHA or its successor agency under Public Law 103-354 370-46 will be prepared and mailed to the borrower. All 12 copies of Form FmHA or its successor agency under Public Law 103-354 370-46 should be used before using the new supply.

(vii) If a borrower is on direct payment and receives a subsequent FO or SW loan, the Finance Office will send a set of Form FmHA or its successor agency under Public Law 103-354 370-46 with "FO" or "SW" in the loan number block. This indicates the borrower has more than one loan of the particular type. The borrower will be instructed by the County Office to send a Form FmHA or its successor agency under Public Law 103-354 370-46 showing the amount and a check or money order for the total payment.

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(d) *County Office handling of direct payment accounts.* Form FmHA or its successor agency under Public Law 103-354 1905-1, "Management System Card—Individual," and Form FmHA or its successor agency under Public Law 103-354 1905-1, "Management System Card—Individual (Rural Housing only)," will be used in the County Office Management System Box. These forms and the transaction records will be maintained as prescribed in FmHA or its successor agency under Public Law 103-354 Instruction 1905-A (available in any FmHA or its successor agency under Public Law 103-354 office). In addition, an orange signal will be placed to the left of Position A on Form FmHA or its successor agency under Public Law 103-354 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 FmHA or its successor agency under Public Law 103-354 to pay taxes or insurance by voucher, the County Supervisor may request the Finance Office to remove the borrower from the direct payment method. If this decision is made, the County Supervisor will contact the borrower and collect the remaining supply of Forms FmHA or its successor agency under Public Law 103-354 370-46 which will be destroyed. The borrower will be informed that payments after that date should be made to the County Office. If at a later date the borrower is making payments on schedule, the County Supervisor may request the Finance Office to put the borrower back on the direct payment method and provided a new set of Forms FmHA or its successor agency under Public Law 103-354 370-46. These changes are made by filling out Form FmHA or its successor agency under Public Law 103-354 1951-34 in accordance with the FMI and entering it via the field office terminal system.

(e) *Account servicing actions retained by the County Office.* For those borrowers who make direct payments to the Finance Office, the County Supervisor will continue to handle the following servicing actions:

(1) Any regular payments a borrower is to make prior to receiving the pack-

et of payment coupons will be made through the County Office in the usual manner.

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

(3) The County Supervisor will counsel with borrowers concerning questions they have about their account. If assistance is needed, the County Supervisor 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 County Office. The County 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 noninterest 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 FmHA or its successor agency under Public Law 103-354 office.) Therefore, the borrower's payment for the uncollectible item should be for the regular payment amount plus the administrative cost.

(f) *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.

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

(h) *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 months 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.

[50 FR 45764, Nov. 1, 1985, as amended at 52 FR 29175, Aug. 6, 1987; 54 FR 46844, Nov. 8, 1989]

§ 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 payment, supplemented by effective followup 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 FmHA or its successor agency under Public Law 103-354 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) District Directors will review, yearly, all collection-only cases in

each County Office with the County Supervisor as early in *each* fiscal year as possible. They will jointly agree on the actions to take and will complete Form FmHA or its successor agency under Public Law 103-354 451-27, "Review of Collection-Only Accounts."

(ii) District Directors will establish with County Supervisors a systematic plan for collecting the accounts or initiating appropriate debt settlement actions during the year.

(iii) County Supervisors will include in their monthly calendars plans for servicing these accounts.

(iv) On visits to County Offices, District Directors will review the progress being made by County Supervisors to insure that goals will be reached.

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

(c) *Notifying borrowers of payments.* County Supervisors will notify borrowers of the dates and amounts of payments that have been agreed on for all types of accounts. Form FmHA or its successor agency under Public Law 103-354 451-3, "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 due 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 County Supervisor will notify the borrower in accordance with subpart S of part 1951 of this chapter.

(2) When a borrower other than a Farmer Program borrower fails to make a payment as agreed, the County