

RD AN No. 3942 (4287-B and 1951-E)
February 19, 2004

SUBJECT: Business and Industry Direct/Guaranteed Loan Programs
Quarterly Problem/Delinquent Loan Report

TO: State Directors, Rural Development

ATTN: Business Programs Directors

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is being issued to provide guidance on the requirements for submitting quarterly reports to the National Office on all delinquent Business and Industry (B&I) direct and guaranteed borrowers.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

The State Director is primarily responsible for administering prudent servicing practices in the B&I Direct Loan Program, and ensuring that the lender prudently services loans within the B&I Guaranteed Loan Program.

EXPIRATION DATE:
February 28, 2005

FILING INSTRUCTIONS
Preceding RD Instructions 4287-B and 1951-E

Reducing the number of problem and delinquent B&I loans, as well as preventing additional problem and delinquent loans, continues to be a high priority of the Business Programs.

As you are aware, all problem loans in excess of the State's loan servicing authority, all delinquent loans, and any loans in bankruptcy are to be reported on a quarterly basis to the National Office using RD Form 4279-16, "Quarterly Problem/Delinquent Loan Report," for each loan. The quarterly reports are due to the B&I Division Servicing Branch by the 10th of January, April, July, and October. The quarterly reports should contain sufficient documentation to provide any reader with an understanding of what has occurred to cause the default and what specific actions are being taken by the lender and/or the State Office to service the account. Actions to be initiated should be documented and anticipated completion dates provided. Also, the quarterly reports should be accompanied by RDPT002, "Guaranteed Problem/Delinquent Servicing Report" and RDPT030, "Direct Delinquencies Report." These reports can be accessed through GLS within the Community Facilities & Business Programs Report area and, furthermore, should correlate with the quarterly reports submitted by your office. For this reason, we ask that you review the Guaranteed Loan System (GLS) to ensure that the status of all B&I loans in your portfolio are accurately reported. The reports must match! GLS is the official reporting system and absolutely must be accurate.

In monitoring your servicing actions, the National Office will continue to pay particular attention to the completion of the quarterly reports submitted. The following considerations must be addressed completely for each case reported:

1. Basic cause of problem/delinquency and covenants in violation.
2. What curative action is being taken; lender's latest action and cooperation.
3. Agency's latest action and date of last contact with lender.
4. State Office recommendation to eliminate problem/delinquency.

In the event that the reports are incomplete or fail to provide a plan of action for eliminating the cause of each of the existing problem and/or delinquent loans, the reports will be returned for correction and resubmission to the National Office.

We want to reemphasize the importance of actively servicing the loans in your portfolio. The importance of lender and/or borrower visits, spreading and analyzing

financial statements (using Moody's financial analysis), and monitoring lender and borrower activities cannot be over emphasized.

Any decrease in delinquencies is directly attributed to your hard work and vigilant servicing. Please continue to carefully monitor the lender's activities, and suggest preventive and curative measures to resolve problems, as provided in the governing regulations. Where the Agency is the lender on direct B&I loans, please continue to monitor these cases carefully to ensure that the interest of the U.S. Government is protected.

We appreciate your efforts in servicing B&I loans. If you have any questions concerning B&I servicing, please contact your National Office Loan Specialist, (202) 690-4103.

(Signed by John Rosso)

JOHN ROSSO
Administrator
Rural Business-Cooperative Service