

RD AN No. 3901 (1951-E)
October 15, 2003

TO: State Directors
Rural Development

ATTN: Community Programs Managers

FROM: Arthur A. Garcia *(Signed by James E. Selmon, III)* *for*
Administrator
Rural Housing Service

SUBJECT: Community Facilities Delinquency Servicing
Direct Loan Program

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is being issued to provide guidance to State Offices on the requirements for monitoring and reporting Community Facilities (CF) direct loan delinquent borrower accounts.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN No. 3764 (1942-A) dated June 19, 2002, which expired on June 30, 2003.

IMPLEMENTATION RESPONSIBILITIES:

The following requirements are necessary when monitoring and reporting on delinquent CF direct loans owed to the Government. Rural Development reporting on delinquent CF borrowers is required for any borrower behind schedule according to the Program Loan Accounting System (PLAS) Delinquency File (Report Code 5001 A-C and 5002 A). Delinquency reports can be obtained from the RHS link on the GLS website at https://gls.sc.egov.usda.gov/gls/rhs_index.asp. The Finance Office reports accounts between 1 and 30 days behind schedule as "Borrowers With Loans That May Require Attention." These are often cases where payments are not received on

EXPIRATION DATE:
October 31, 2004

FILING INSTRUCTIONS:
Preceding RD Instruction 1951-E

the installment due date. Loans that are more than 30 days behind schedule are considered delinquent. Please closely monitor loans that are in this category. Monitoring and routinely servicing late-pay delinquent borrowers will encourage a proactive approach to servicing and ensure continued borrower success.

Servicing delinquent borrowers includes: (1) identifying borrowers who are consistently late-pay borrowers and providing immediate assistance to ensure timely collection of scheduled payments; (2) closely reviewing audit and management reports to identify problems or potential problems; (3) assisting in resolving operational, management, and financial problems; (4) completing a workout agreement; and (5) working closely with the Finance Office to process payments immediately to ensure prompt posting of payments to the borrower's account. Borrowers should be encouraged to use the Preauthorized Debit (PAD) system. PAD is not an option if the borrower is experiencing cash flow problems. State Offices must utilize all servicing methods referenced in RD Instruction 1951-E that will assist the borrower in meeting the objectives of the loan.

The workout agreement is an effective servicing tool that provides a formal, written agreement between the Agency and the borrower. The Rural Development servicing official must complete a formal workout agreement, as required by the Agency for accounts over 90 days delinquent. However, the workout agreement may be used on problem or delinquent accounts at any time prior to the 90-day requirement. A copy of the workout agreement must be sent to the National Office, Attention: Deputy Administrator, Community Programs. Please contact a member of the Community Programs staff for guidance in completing the workout agreement.

We appreciate your efforts in servicing CF loans. If you have questions concerning CF servicing, please contact the Community Programs Division at (202) 720-1490.