

Farmers
Home
Administration

Washington
D.C.
20250

SEP 12 1994

SUBJECT: Correcting Improper Servicing Actions under
FmHA Instruction 1951-S
John W. Boyd, Jr.
Account No. 54-070-0227236891
EOS Case Number: VA-92-64

TO: Lloyd A. Jones
State Director, FmHA
Richmond, Virginia

ATTN: Farmer Programs

The subject borrower filed a discrimination complaint against James Garnett, County Supervisor, on February 18, 1992. As a result of the complaint, State and National Office staffs have completed a thorough review of FmHA's loan making and servicing actions. The following problems have been identified:

1. Mr. Boyd applied for loan servicing in 1992. His loan servicing request has not been processed to completion. A Farm and Home Plan was completed and DALRS run, which resulted in restructuring with a writedown and deferral. However, the County Supervisor failed to add an additional \$5,000 annual operating loan. The County Supervisor was instructed to complete the servicing process by the State Director in a letter dated May 12, 1993. This task has not been completed.
2. The borrower's 1986 housing application has not been processed.
3. Approximately \$3,000 may have been misapplied to another borrower's account from Mr. Boyd's poultry assignment.
4. The borrower's account has been referred to a credit bureau as delinquent even though DALRS showed that the debt may be restructured under FmHA Instruction 1951-S.
5. In 1992, Mr. Boyd entered into a contract with Perdue to raise chickens. He subsequently lost his chicken contract. Without the chicken contract, the borrower's chance of success is poor. The County Supervisor's



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Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

actions may have contributed to the borrower's financial difficulty which in turn may have contributed to the loss of the chicken contract.

In order to correct the problems identified above, please take the following action:

1. You are hereby authorized to restructure Mr. Boyd's account using information obtained from the loan servicing application submitted on July 1, 1992. The discount rate and net recovery inputs used in DALRS should be those which existed at the time the application was submitted. The loans received in 1992 should also be restructured using the 1992 cash-flow. If necessary, the term for the 1992 Farm Ownership loan used to construct chicken houses should be extended beyond the original 15-year term, but not beyond 20 years from the original date of the note. 10/17/92
2. If the borrower's 1992 cash-flow will support additional debt (with or without a writedown), the borrower may be considered for a rural housing loan of up to \$10,000. A 504 repair loan should be considered before a 502 loan. *Look at 1992 Income for loan* Check Home 10/17/92
3. You should continue your audit of payments applied against the account. If you confirm that an underpayment has been made, and the account can be restructured, the payment should be reapplied AFTER the account has been restructured.
4. You should take immediate action to clear up the borrower's credit history. *Letter can be sent out to your credit*
5. The borrower should be informed of his right to file a tort claim under the Federal Tort Claims Act (FmHA Instruction 2042-A). A copy of FmHA Instruction 2042-A will be provided to the borrower. You will not assume liability for damages on behalf of the Government or advance any opinion as to the merits of the borrower's claim.
6. You should provide assistance to the borrower in his attempt to obtain a new contract from Perdue.
7. If you are unable to restructure the borrower's account using the 1992 cash-flow, you should provide the borrower with the opportunity to update financial information. Using the updated financial information, DALRS should be rerun, using the discount rate in effect on July 1, 1992, and current net recovery inputs.

*Two wk time 10/25 to be done
92 - OK 9-4*

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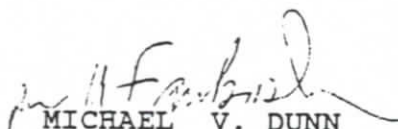
Negotiations with Perdue should be concluded before the new information is obtained.

8. Servicing of the account should be tracked on the 1990 AGCREDIT as a borrower who is 180 days delinquent. Tracking in AGCREDIT should be completed down to "CSR301 - Determine Eligibility & Run DALRS to Determine Feasibility" and continue, in accordance with this letter and FmHA Instruction 1951-S through to completion.

9. You should personally schedule a meeting with the borrower to discuss the items noted above. The new County Supervisor should attend the meeting. The meeting should be documented in the County Office case file. After the meeting, you should send the borrower a letter reviewing the items discussed at the meeting.

10. Because of the problems involved in this case, you should file a monthly report concerning your efforts to service the Boyd account with Farmer Programs Loan Servicing and Property Management Division. Each report should be sent to the attention of Bruce Mair. The Division's FAX number is 202-690-0949. The Agbox number is 0774. The first report should be submitted by October 31, 1994. Farmer Programs will provide a copy of each report to the Equal Opportunity Staff.

If you have questions, please contact Bruce Mair, Farmer Programs Loan Servicing and Property Management Division, at 202-690-4009.


MICHAEL V. DUNN
Administrator

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