

OPTIONAL LENDER LIQUIDATION WORKSHEET

BORROWER: _____ **DATE:** _____

Within 150 days after the payment due date (or date of non-monetary default), all lenders will prepare a written Liquidation Plan. SEL and CLP lenders will submit the Liquidation Plan to FSA for Agency review.

PART A – LIQUIDATION PLAN

See Paragraphs 358-360 for more details:

- A current balance sheet or best available similar information and/or bankruptcy schedules.
- A current independent appraisal(s) of all remaining security. If an appraisal is ordered but not yet received, state so and estimate the security value. If FSA concurs an appraisal is not needed, submit a list of security yet to be sold.
- The proposed method for maximizing collection from remaining security.
- A time schedule for liquidation of all security.
- If the borrower converted security, will litigation be cost effective? Will civil or criminal action be pursued? If no action is being taken, why not?
- The proposed method for maximizing collection on the debt from non-security items and judgment possibilities.
- A Guaranteed Farm Loan Default Status Report, Form FSA-2248, if not submitted within the previous 60 days.
- If still sold on the secondary market, the lender's plan to repurchase (Par. 374).
- A copy of the acceleration letter (Par. 357C).
- An estimate of any expected protective advances not yet incurred.
- A recommendation regarding release of liability for the borrower.
- An estimated loss claim if the liquidation period is expected to exceed 90 days.

Tips for properly preparing Liquidation Plans:

Consider ordering an appraisal(s) and offering mediation as soon as it is apparent a delinquent borrower is not willing or able to pay current.

PART B – ESTIMATED LOSS CLAIMS

An Estimated Loss Claim should be submitted by the lender no later than 150 days after the missed payment due date unless the account has been completely liquidated. Delays beyond 150 days will generally result in less interest accrual coverage by FSA than a claim timely submitted. Note: For bankruptcy cases see 2-FLP Paragraph 342.

See Part 14 of 2-FLP and Form FSA-2295, “Guaranteed Estimated Loss Review Checklist for SEL and CLP Lenders” for more details.

- An Estimated Loss Claim, Form FSA-2254 should be submitted no later than 150 days after the due date unless complete liquidation of security will be done by then.
- A current net recovery calculation worksheet showing liquidation expenses (see Exhibit 10).
- A ledger documenting all loan and protective advance amounts & purposes, interest accrual (separate for any protective advance), payments and interest rate changes including identifying the current rate.
- Document how loan funds were used as specified on the Conditional Commitment. Explain an irregularities. (see FSA-2295).
- A list of all security owned (or planned to be owned) by the borrower with documentation as to what happened to the proceeds. Include all mortgaged land and all chattels on hand at or acquired since the last complete security reconciliation occurred. The list of all normal income chattel security owned or planned to be owned by the borrower often starts with the previous year’s 1-1-XX Balance Sheet inventories, plus planned production. Current M&E items and breeding livestock numbers should be compared to the original loan making appraisal with any discrepancies explained.
- If needed, updated Electronic Funds Transfer account information.
- The name, current address and Social Security Number of any co-borrower or co-signer if the loan was made using an application form with a revision date July 20, 2001 or later.
- Has income or other dispositions from the collateral been accounted for from the time the loan closed to the point of the estimated loss claim?
- Document how loan funds used as specified on the Conditional Commitment.

Tips for properly preparing Estimated Loss Claims:

For estimated loss claims the Principal Balance amount in Item #19: use the amount owed when the account first became past due. If collections have been made since then, include the gross security sale amounts and all liquidation expenses in the loss claim form items #27 and #30.

Default interest, most protective advances*, late charges and packager or outside consultant fees for loan servicing are not payable by FSA. If they are included in the lender’s records, for loss claim purposes the principal and interest amounts must be adjusted to remove them. *Note: Protective advances are paid with the final loss claim.

At the FSA forms site there is an Instructions document to help prepare the loss claim form. There is also an optional Supplemental Form (FSA-2254A) which is helpful for organizing and reporting data.

State Mediation is not a reason to delay submitting an estimated loss claim.