

For: FSA Offices

Providing FLP Borrowers With Servicing Assistance After Hurricanes Katrina and Rita

Approved by: Administrator



1 Overview

A Background

FSA is committed to providing service above and beyond the normal scope of operations to assist FLP borrowers who were impacted by Hurricanes Katrina and Rita. Because of the severe and widespread damage caused by the hurricanes, FSA is responding by both the delivery of present programs and authorization of additional servicing actions.

B Purpose

This notice:

- identifies all counties affected by Hurricanes Katrina and/or Rita
- describes the additional servicing options authorized
- provides guidance about using existing servicing actions that can be taken after the suspension of regular payments
- clarifies the effective date of suspensions
- obsoletes Notice FLP-399.

C Contact

If questions:

- County Offices shall contact the State Office
- State Offices shall contact LSPMD at 202-720-4572.

Disposal Date	Distribution
February 1, 2007	All FSA Offices; State Offices relay to County Offices

Notice FLP-407

2 Suspension of Regular Payments

A Selection of Counties Affected

Counties affected include only those counties or parishes designated (not contiguous counties) as disaster areas by the President and listed by FEMA for “Individual Assistance”, as well as counties designated by the Secretary of Agriculture, as a result of Hurricanes Katrina and/or Rita.

Note: If any additional counties are designated by the President or Secretary as disaster areas, subsequent information will be provided by this office.

B Counties Designated for Hurricane Katrina

Following are the counties that have been designated by the President:

Alabama: Baldwin, Choctaw, Clarke, Greene, Hale, Marengo, Mobile, Pickens, Sumter, Tuscaloosa, and Washington

Louisiana: Acadia, Ascension, Assumption, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, St. Bernard, St. Charles, St. Helena, St. James, St. John, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge, and West Feliciana

Mississippi: Adams, Amite, Attala, Claiborne, Choctaw, Clarke, Copiah, Covington, Forrest, Franklin, George, Greene, Hancock, Harrison, Hinds, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Lincoln, Lowndes, Madison, Marion, Neshoba, Newton, Noxubee, Oktibbeha, Pearl River, Perry, Pike, Rankin, Scott, Simpson, Smith, Stone, Walthall, Warren, Wayne, Wilkinson, Winston, and Yazoo.

Following are additional counties designated by the Secretary of Agriculture:

Mississippi: Benton, Bolivar, Calhoun, Carroll, Chickasaw, Clay, Coahoma, De Soto, Grenada, Holmes, Humphreys, Issaquena, Itawamba, Lafayette, Leflore, Marshall, Monroe, Montgomery, Panola, Pontotoc, Prentiss, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Union, Washington, Webster, and Yalobusha.

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2 Suspension of Regular Payments (Continued)

C Counties Designated for Hurricane Rita

Following are the counties that have been designated by the President:

Louisiana: Acadia, Allen, Ascension, Beauregard, Calcasieu, Cameron, Evangeline, Iberia, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Plaquemines, St. Landry, St. Martin, St. Mary, Sabine, Terrebonne, Vermilion, Vernon, and West Baton Rouge

Texas: Angelina, Brazoria, Chambers, Fort Bend, Galveston, Hardin, Harris, Jasper, Jefferson, Liberty, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler, and Walker.

D Implementation of Suspension of Regular Payments

Effective August 29, 2005, for counties affected by Hurricane Katrina, and September 24, 2005, for counties affected by Hurricane Rita, KCFO will suspend all regular payments coming due through December 31, 2006, for active (those borrowers not CNC or flagged ACL, BAP, CAP, FAP, or SAA) direct FLP borrowers who operate in the affected counties.

Notes: This does **not** affect those payments already delinquent or ongoing servicing actions. Interest will continue to accrue on these accounts.

The suspension does **not** apply to extra payments such as those that are derived from the sale of basic security.

E Borrower Information and Options

County Offices shall send Exhibit 1, by regular mail, to all direct borrowers who have received payment suspension to:

- notify borrowers of the terms of the suspension
- provide the opportunity for borrowers to make their scheduled payment if they are able
- inform borrowers that numerous servicing options can be used before January 1, 2007, to assist their operations
- explain that any scheduled regular payment not paid during the suspension will be due and payable on January 1, 2007.

Note: Borrowers previously notified shall not be renotified.

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2 Suspension of Regular Payments (Continued)

F Servicing Options at the Conclusion of the Suspension

Regular payments not made during the suspension period will be due and payable on January 1, 2007. All FLP servicing options, including Primary and Preservation Loan Servicing, will be used to service the debt at that time.

Letter to Borrowers Affected by Hurricanes Katrina and Rita

The following letter shall be sent to borrowers in the counties declared disaster areas because of Hurricanes Katrina and/or Rita. See subparagraphs 2 B and C.

Dear (Borrower's Name),

Subject: Borrower Options Because of Hurricanes Katrina and Rita

Because of the widespread damage caused by Hurricanes Katrina and Rita, a County or Parish in which you farm has been designated as a disaster area by the President or the Secretary of Agriculture. Because of this disaster, the Farm Service Agency (FSA) has suspended all regular payments on your direct Farm Loan Programs (FLP) loans until January 1, 2007. This means that any scheduled loan payment on your direct FLP debt due between now and the close of business on December 31, 2006, does not have to be made until January 1, 2007. This suspension is automatic. You do not need to contact FSA to request the suspension. It is in place. However, please note that interest will continue to accrue on your account at the current interest rate.

If you wish to continue making your regularly scheduled payments to FSA during the period ending January 1, 2007, or you wish to apply for restructuring of your loans before January 1, 2007, you may do so by contacting this office. If you make your regularly scheduled payments, or any payments, you may reduce your interest cost and avoid the possible double payment in January of 2007.

If you become delinquent on your debt on January 1, 2007, FSA has several servicing options available to assist you in attempting to restructure your loans and continue operations. These options include rescheduling the loans, reducing the interest rates, deferral, and writedown of debt should you qualify.

You must continue to report all sales of security to FSA so they can be recorded in your case file for required analysis. Proceeds from the sale of basic security, including but not limited to, real estate, breeding livestock, dairy cattle or farm equipment must still be submitted to FSA for application on your debt.

Please do not hesitate to contact this office if you have any questions.