

TO: State Directors, Rural Development

ATTN: Business Programs Directors

SUBJECT: Business and Industry Guaranteed and Direct Loan and Section 9007 Rural Energy for America Programs (formerly Section 9006 Renewable Energy Systems and Energy Efficiency Improvement Guaranteed Loan Program) Quarterly Problem/Delinquent Loan Reports

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is being issued to provide guidance on the requirements of submitting quarterly delinquency reports to the National Office on all delinquent Business and Industry direct and guaranteed borrowers, Section 9007 Rural Energy for America Programs, and Section 9006 Renewable Energy Systems and Energy Efficiency Improvements (Section 9006) guaranteed borrowers.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN No. 4361 (1951-E, 4280-B, and 4287-B), dated April 30, 2008, which expires on May 31, 2009.

IMPLEMENTATION RESPONSIBILITIES:

The State Director is primarily responsible for administering prudent servicing practices in the Business and Industry Direct Loan Program and ensuring that the lender prudently services loans within the Business and Industry or Section 9007 Rural Energy for America Programs and Section 9006 Guaranteed Loan Program. Reducing the number of problem and delinquent Business and Industry or Section 9006 and 9007 loans, as well as preventing additional problem and delinquent loans, continues to be a high priority of Business Programs.

EXPIRATION DATE:
May 31, 2010

FILING INSTRUCTIONS
Preceding RD Instructions 1951-E, 4280-B and 4287-B

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 Form RD 4279-16, "Quarterly Problem/Delinquent Loan Report," for each loan. The quarterly reports are due to the Business and Industry 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 State Office to service the account. Actions to be initiated should be documented and anticipated completion dates provided.

Also, quarterly reports should be accompanied by GLSR002, "Guaranteed Problem/Delinquent Servicing Report," and GLSR030, "Direct Delinquencies Report." The results of GLSR002 are determined by the status codes that the State inputs on the criteria page. If the State does not indicate specific status codes, the report will provide the user with any loan currently having a Guaranteed Loan System (GLS) status code of 501-549. The State should also pull report GLS2001, "List of Delinquent Borrowers (Guaranteed Only)" and compare it with GLSR002. The borrowers listed on report GLS2001 should be the same as the borrowers having a status code of 520-549 on report GLSR002. If these reports do not match up, the State must reconcile them by either correcting the status code in the GLS or updating the default status report showing the loan has been brought current. Report GLSR030 results are determined by the status found in the Program Loan Accounting System (PLAS). If a borrower should not be coded as delinquent in PLAS, you should work with the Accountant in the Fiscal and Accounting Branch in St. Louis that is assigned to your State.

GLS is the official reporting system and absolutely must be accurate. The National Office continues to receive Business and Industry quarterly reports in which GLSR002 and GLSR030 are not attached. We cannot stress enough the importance of submitting these GLS reports in conjunction with the Business and Industry quarterly reports. These GLS reports are time sensitive, and the data cannot be recreated or replicated after the end of the quarterly reporting cycle.

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:

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

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/delinquent loans, the reports will be returned to the State Office 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, 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 Business and Industry direct 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 Business and Industry loans. If you have any questions concerning Business and Industry servicing, please contact our office, (202) 690-4103.

(Signed by LeAnn M. Oliver) for

WILLIAM F. HAGY III
Acting Administrator
Business and Cooperative Programs