

§ 765.1

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AUTHORITY: 5 U.S.C. 301 and 7 U.S.C. 1989.

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Subpart A—Overview**§ 765.1 Introduction.**

(a) *Purpose.* This part describes the policies for servicing direct FLP loans, except for borrowers who are delinquent, financially distressed, or otherwise in default on their loan.

(b) *Servicing actions.* Servicing actions described in this part include:

- (1) Limited resource reviews;
- (2) Graduation to commercial credit;

- (3) Application of payments;
- (4) Maintaining and disposing of security;
- (5) Transfer of security and assumption of debt; and
- (6) Servicing accounts of deceased borrowers.

(c) *Loans covered.* The Agency services direct FLP loans under the policies contained in this part. This part is not applicable to Non-program loans, except where noted.

§ 765.2 Abbreviations and definitions.

Abbreviations and definitions for terms used in this part are provided in § 761.2 of this chapter.

§§ 765.3–765.50 [Reserved]**Subpart B—Borrowers With Limited Resource Interest Rate Loans****§ 765.51 Annual review.**

(a) A borrower with limited resource interest rate loans is required to provide the Agency annually the operation's financial information to determine if the borrower can afford to pay a higher interest rate on the loan. The Agency will review the information provided in accordance with § 761.105 of this chapter.

(b) If the borrower's farm operating plan shows that the debt service margin exceeds 110 percent, the Agency will increase the interest rate on the loans with a limited resource interest rate until:

- (1) A further increase in the interest rate results in a debt service margin of less than 110 percent; or
- (2) The interest rate is equal to the interest rate currently in effect for the type of loan.

(c) Except as provided in paragraph (d) of this section, the Agency will increase the limited resource interest rate to the current interest rate for the type of loan, if the borrower:

- (1) Purchases items not planned during the term of the loan;
- (2) Refuses to submit information the Agency requests for use in reviewing the borrower's financial condition;
- (3) Ceases farming, as described in § 765.253; or