

**(4) Additional collateral**

An independent appraisal shall be permitted if additional collateral for a loan is demanded by the qualified lender when determining whether to restructure the loan.

**(e) Notification of applicant**

Promptly after a review by the credit review committee, the committee shall notify the applicant or borrower, as the case may be, in writing of the decision of the committee and the reasons for the decision.

(Pub. L. 92-181, title IV, §4.14, Dec. 10, 1971, 85 Stat. 613; Pub. L. 99-205, title III, §303, Dec. 23, 1985, 99 Stat. 1708; Pub. L. 100-233, title I, §106, title VIII, §805(s), Jan. 6, 1988, 101 Stat. 1580, 1716; Pub. L. 100-399, title I, §103, title VII, §702(b), Aug. 17, 1988, 102 Stat. 990, 1006.)

**Editorial Notes****AMENDMENTS**

1988—Pub. L. 100-233, §805(s), which directed amendment of this section by substituting “committees” for “committee(s)”, “2201” for “2199”, and “review” for “reviews”, was repealed by Pub. L. 100-399, §702(b). See Construction of 1988 Amendment note below.

Pub. L. 100-233, §106, amended section generally. Prior to amendment, section read as follows: “The board of directors of each Farm Credit System institution shall establish one or more credit review committee(s), which shall include farmer board representation. [sic] Any loan applicant who has received written notice, under section 2199 of this title, of a decision to deny or reduce the loan applied for, if the applicant so requests in writing within thirty days after receiving such notice, may obtain a review of such decision in person before the credit review committee. When a loan applicant requests review of an adverse credit decision, a majority of persons serving on such reviews committee must be persons who were not involved in making the adverse decision. Promptly after any such review, the applicant shall be notified in writing of the credit review committee’s decision and the reasons therefor.”

Subsec. (b)(1). Pub. L. 100-399, §103(a), substituted “before the” for “by a”.

Subsec. (d)(1). Pub. L. 100-399, §103(b), inserted “or (2)”.

1985—Pub. L. 99-205, in amending section generally, substituted provisions respecting reconsideration of action on loan application for prior reconsideration provisions which read as follows: “Any applicant who has reason to believe that the action on his application by an association failed to take into account facts pertinent to his application, or has misinterpreted or failed to properly apply the applicable law or rules and regulations governing his application, may, if he so requests in writing within thirty days of the date of that notice, request an informal hearing on his application and the action of the association in reduction or denial thereof, or the reason for such action, in person before the loan committee or officer or employee thereof authorized to act on applications under section 2033(11) or 2093(18) of this title. Promptly after such a hearing, he shall be notified of the decision upon reconsideration and the reasons therefor.”

**Statutory Notes and Related Subsidiaries****EFFECTIVE DATE OF 1988 AMENDMENT**

Amendment by Pub. L. 100-399 effective as if enacted immediately after enactment of Pub. L. 100-233, which was approved Jan. 6, 1988, see section 1001(a) of Pub. L. 100-399, set out as a note under section 2002 of this title.

**EFFECTIVE DATE OF 1985 AMENDMENT**

Amendment by Pub. L. 99-205 effective thirty days after Dec. 23, 1985, see section 401 of Pub. L. 99-205, set out as a note under section 2001 of this title.

**CONSTRUCTION OF 1988 AMENDMENT**

Pub. L. 100-399, title VII, §702(b), Aug. 17, 1988, 102 Stat. 1006, provided that section 805(s) of Pub. L. 100-233, cited as a credit to this section, is repealed and that this section shall be applied and administered as if such section had not been enacted.

**§ 2202a. Restructuring distressed loans****(a) Definitions**

As used in this part and section 2219a of this title:

**(1) Application for restructuring**

The term “application for restructuring” means a written request—

(A) from a borrower for the restructuring of a distressed loan in accordance with a preliminary restructuring plan proposed by the borrower as a part of the application;

(B) submitted on the appropriate forms prescribed by the qualified lender; and

(C) accompanied by sufficient financial information and repayment projections, where appropriate, as required by the qualified lender to support a sound credit decision.

**(2) Cost of foreclosure**

The term “cost of foreclosure” includes—

(A) the difference between the outstanding balance due on a loan made by a qualified lender and the liquidation value of the loan, taking into consideration the borrower’s repayment capacity and the liquidation value of the collateral used to secure the loan;

(B) the estimated cost of maintaining a loan as a nonperforming asset;

(C) the estimated cost of administrative and legal actions necessary to foreclose a loan and dispose of property acquired as the result of the foreclosure, including attorneys’ fees and court costs;

(D) the estimated cost of changes in the value of collateral used to secure a loan during the period beginning on the date of the initiation of an action to foreclose or liquidate the loan and ending on the date of the disposition of the collateral; and

(E) all other costs incurred as the result of the foreclosure or liquidation of a loan.

**(3) Distressed loan**

The term “distressed loan” means a loan that the borrower does not have the financial capacity to pay according to its terms and that exhibits one or more of the following characteristics:

(A) The borrower is demonstrating adverse financial and repayment trends.

(B) The loan is delinquent or past due under the terms of the loan contract.

(C) One or both of the factors listed in subparagraphs (A) and (B), together with inadequate collateralization, present a high probability of loss to the lender.

**(4) Foreclosure proceeding**

The term “foreclosure proceeding” means—

(A) a foreclosure or similar legal proceeding to enforce a lien on property, whether real or personal, that secures a non-accrual or distressed loan; or

(B) the seizing of and realizing on nonreal property collateral, other than collateral subject to a statutory lien arising under subchapter I or II, to effect collection of a non-accrual or distressed loan.

#### **(5) Loan**

##### **(A) In general**

Subject to subparagraph (B), the term “loan” means a loan made to a farmer, rancher, or producer or harvester of aquatic products, for any agricultural or aquatic purpose and other credit needs of the borrower, including financing for basic processing and marketing directly related to the borrower’s operations and those of other eligible farmers, ranchers, and producers or harvesters of aquatic products.

##### **(B) Exclusion for loans designated for sale into secondary market**

###### **(i) In general**

Except as provided in clause (ii), the term “loan” does not include a loan made on or after February 10, 1996, that is designated, at the time the loan is made, for sale into a secondary market.

###### **(ii) Unsold loans**

###### **(I) In general**

Except as provided in subclause (II), if a loan designated for sale under clause (i) is not sold into a secondary market during the 180-day period that begins on the date of the designation, the provisions of this section and sections 2202, 2202b, 2202d, and 2219a of this title that would otherwise apply to the loan in the absence of the exclusion described in clause (i) shall become effective with respect to the loan.

###### **(II) Later sale**

If a loan described in subclause (I) is sold into a secondary market after the end of the 180-day period described in subclause (I), subclause (I) shall not apply with respect to the loan beginning on the date of the sale.

#### **(6) Qualified lender**

The term “qualified lender” means—

(A) a System institution that makes loans (as defined in paragraph (5)) except a bank for cooperatives; and

(B) each bank, institution, corporation, company, union, and association described in section 2015(b)(1)(B) of this title but only with respect to loans discounted or pledged under section 2015(b)(1) of this title.

#### **(7) Restructure and restructuring**

The terms “restructure” and “restructuring” include rescheduling, reamortization, renewal, deferral of principal or interest, monetary concessions, and the taking of any other action to modify the terms of, or forbear on, a loan in any way that will make it probable

that the operations of the borrower will become financially viable.

#### **(b) Notice**

##### **(1) In general**

On a determination by a qualified lender that a loan made by the lender is or has become a distressed loan, the lender shall provide written notice to the borrower that the loan may be suitable for restructuring, and include with such notice—

(A) a copy of the policy of the lender established under subsection (g) that governs the treatment of distressed loans; and

(B) all materials necessary to enable the borrower to submit an application for restructuring on the loan.

##### **(2) Notice before foreclosure**

Not later than 45 days before any qualified lender begins foreclosure proceedings with respect to a loan outstanding to any borrower, the lender shall notify the borrower that the loan may be suitable for restructuring and that the lender will review any such suitable loan for restructuring, and shall include with such notice a copy of the policy and the materials described in paragraph (1).

##### **(3) Limitation on foreclosure**

No qualified lender may foreclose or continue any foreclosure proceeding with respect to any distressed loan before the lender has completed any pending consideration of the loan for restructuring under this section.

#### **(c) Meetings**

On determination by a qualified lender that a loan made by the lender is or has become a distressed loan, the lender shall provide a reasonable opportunity for the borrower thereof to personally meet with a representative of the lender—

(1) to review the status of the loan, the financial condition of the borrower, and the suitability of the loan for restructuring; and

(2) with respect to a loan that is in non-accrual status, to develop a plan for restructuring the loan if the loan is suitable for restructuring.

#### **(d) Consideration of applications**

##### **(1) In general**

When a qualified lender receives an application for restructuring from a borrower, the qualified lender shall determine whether or not to restructure the loan, taking into consideration—

(A) whether the cost to the lender of restructuring the loan is equal to or less than the cost of foreclosure;

(B) whether the borrower is applying all income over and above necessary and reasonable living and operating expenses to the payment of primary obligations;

(C) whether the borrower has the financial capacity and the management skills to protect the collateral from diversion, dissipation, or deterioration;

(D) whether the borrower is capable of working out existing financial difficulties, reestablishing a viable operation, and repaying the loan on a rescheduled basis; and

(E) in the case of a distressed loan that is not delinquent, whether restructuring consistent with sound lending practices may be taken to reasonably ensure that the loan will not become a loan that it is necessary to place in nonaccrual status.

**(2) Applications not required for restructuring plans**

This section shall not prevent a qualified lender from proposing a restructuring plan for an individual borrower in the absence of an application for restructuring from the borrower.

**(e) Restructuring**

**(1) In general**

If a qualified lender determines that the potential cost to such qualified lender of restructuring the loan in accordance with a proposed restructuring plan is less than or equal to the potential cost of foreclosure, the qualified lender shall restructure the loan in accordance with the plan.

**(2) Computation of cost of restructuring**

In determining whether the potential cost to the qualified lender of restructuring a distressed loan is less than or equal to the potential cost of foreclosure, a qualified lender shall consider all relevant factors, including—

(A) the present value of interest income and principal forgone by the lender in carrying out the restructuring plan;

(B) reasonable and necessary administrative expenses involved in working with the borrower to finalize and implement the restructuring plan;

(C) whether the borrower has presented a preliminary restructuring plan and cash-flow analysis taking into account income from all sources to be applied to the debt and all assets to be pledged, showing a reasonable probability that orderly debt retirement will occur as a result of the proposed restructuring; and

(D) whether the borrower has furnished or is willing to furnish complete and current financial statements in a form acceptable to the institution.

**(f) Least cost alternative**

If two or more restructuring alternatives are available to a qualified lender under this section with respect to a distressed loan, the lender shall restructure the loan in conformity with the alternative that results in the least cost to the lender.

**(g) Restructuring policy**

**(1) Establishment**

Each bank board of directors shall develop a policy within 60 days after January 6, 1988, that is consistent with this section, to govern the restructuring of distressed loans. Such policy shall constitute the restructuring policy of each qualified lender within the district.

**(2) Contents of policy**

The policy established under paragraph (1) shall include an explanation of—

(A) the procedure for submitting an application for restructuring; and

(B) the right of borrowers with distressed loans to seek review by a credit review committee in accordance with section 2202 of this title of a denial of an application for restructuring.

**(3) Submission of policy to FCA**

Each bank board shall submit the policy of the district governing the treatment of distressed loans under this section to the Farm Credit Administration. Notwithstanding the duty imposed by the preceding sentence, the other duties imposed by this section shall take effect on January 6, 1988.

**(h) Compliance**

The Farm Credit Administration may issue a directive requiring compliance with any provision of this section to any qualified lender that fails to comply with such provision.

**(i) Permitted foreclosures**

This section shall not be construed to prevent any qualified lender from enforcing any contractual provision that allows the lender to foreclose a loan, or from taking such other lawful action as the lender deems appropriate, if the lender has reasonable grounds to believe that the loan collateral will be destroyed, dissipated, consumed, concealed, or permanently removed from the State in which the collateral is located.

**(j) Application of section**

The time limitation prescribed in subsection (b)(2), and the requirements of subsection (c), shall not apply to a loan that became a distressed loan before January 6, 1988, if the borrower and lender of the loan are in the process of negotiating loan restructuring with respect to the loan.

**(k) Assistance in restructuring**

Each Farm Credit Bank, on request of any association, may assist the association in restructuring loans under this section.

(Pub. L. 92-181, title IV, § 4.14A, as added Pub. L. 100-233, title I, § 102(a), Jan. 6, 1988, 101 Stat. 1574; amended Pub. L. 100-399, title I, § 102(a)-(f), Aug. 17, 1988, 102 Stat. 990; Pub. L. 104-105, title II, § 208(a), Feb. 10, 1996, 110 Stat. 173; Pub. L. 115-334, title V, § 5411(22), Dec. 20, 2018, 132 Stat. 4681.)

**Editorial Notes**

**AMENDMENTS**

2018—Subsec. (a). Pub. L. 115-334, § 5411(22)(A)(i), inserted “and section 2219a of this title” after “this part” in introductory provisions.

Subsec. (a)(5)(B)(ii)(I). Pub. L. 115-334, § 5411(22)(A)(ii), struck out “2202c,” after “2202b.”

Subsecs. (h) to (j). Pub. L. 115-334, § 5411(22)(B), (C), redesignated subsecs. (i) to (k) as (h) to (j), respectively, and struck out former subsec. (h). Prior to amendment, text of subsec. (h) read as follows: “During the 5-year period beginning on January 6, 1988, each qualified lender shall submit semiannual reports to the Farm Credit Administration containing—

“(1) the results of the review of distressed loans of the lender; and

“(2) the financial effect of loan restructurings and liquidations on the lender.”

Subsecs. (k), (l). Pub. L. 115-334, § 5411(22)(C), (D), redesignated subsec. (l) as (k) and struck out “production

credit” after “request of any”. Former subsec. (k) redesignated (j).

1996—Subsec. (a)(5). Pub. L. 104-105 designated existing provisions as subpar. (A), inserted subpar. heading, substituted “Subject to subparagraph (B), the term” for “The term”, and added subpar. (B).

1988—Subsec. (a). Pub. L. 100-399, §102(a), struck out “(other than in sections 2205 and 2206 of this title)” after “in this part”.

Subsec. (a)(6)(B). Pub. L. 100-399, §102(b), substituted “section 2015(b)(1)(B) of this title” for “section 2074(a)(2) of this title” and “section 2015(b)(1) of this title” for “section 2074(a) of this title”.

Subsec. (e)(1). Pub. L. 100-399, §102(c), substituted “cost to such qualified” for “cost to a qualified”.

Subsec. (g)(1). Pub. L. 100-399, §102(d), substituted “bank” for “farm credit district”.

Subsec. (g)(3). Pub. L. 100-399, §102(e), substituted “bank board” for “district board”.

Subsec. (l). Pub. L. 100-399, §102(f), substituted “Farm Credit Bank” for “Federal intermediate credit bank”.

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by section 102(b), (f) of Pub. L. 100-399 effective immediately after amendment made by section 401 of Pub. L. 100-233, which was effective 6 months after Jan. 6, 1988, and amendment by section 102(a), (c)-(e) of Pub. L. 100-399 effective as if enacted immediately after enactment of Pub. L. 100-233, which was approved Jan. 6, 1988, see section 1001 of Pub. L. 100-399, set out as a note under section 2002 of this title.

##### SENSE OF CONGRESS

Pub. L. 100-233, title I, §102(b), Jan. 6, 1988, 101 Stat. 1579, provided that: “It is the sense of Congress that the banks and associations (except banks for cooperatives) operating under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) should administer distressed loans to farmers with the objective of using the loan guarantee programs of the Farmers Home Administration and other loan restructuring measures, including participation in interest rate buy-down programs that are Federally or State funded, and other Federal and State sponsored financial assistance programs that offer relief to financially distressed farmers, as alternatives to foreclosure, considering the availability and appropriateness of such programs on a case-by-case basis.”

#### § 2202b. Effect of restructuring on borrower stock

##### (a) Farm Credit Bank

If a Farm Credit Bank forgives and writes off, under section 2202a of this title, any of the principal outstanding on a loan made to any borrower, the Federal land bank association of which the borrower is a member and stockholder shall cancel the same dollar amount of borrower stock held by the borrower in respect of the loan, up to the total amount of such stock, and, to the extent provided for in the bylaws of the bank relating to its capitalization, the bank shall retire an equal amount of stock owned by the Federal land bank association.

##### (b) Production credit association

If a production credit association forgives and writes off, under section 2202a of this title, any of the principal outstanding on a loan made to any borrower, the association shall cancel the same dollar amount of borrower stock held by the borrower in respect of the loan, up to the total amount of such stock.

##### (c) Retention of stock

Notwithstanding subsections (a) and (b), the borrower shall be entitled to retain at least one

share of stock to maintain the borrower’s membership and voting interest in the association.

(Pub. L. 92-181, title IV, §4.14B, as added Pub. L. 100-233, title I, §102(a), Jan. 6, 1988, 101 Stat. 1577; amended Pub. L. 100-399, title I, §102(g), Aug. 17, 1988, 102 Stat. 990.)

#### Editorial Notes

##### AMENDMENTS

1988—Subsec. (a). Pub. L. 100-399 substituted in subsec. heading “Farm Credit Bank” for “Federal land bank” and in text “a Farm Credit Bank” for “a Federal land bank” and “, to the extent provided for in the bylaws of the bank relating to capitalization, the bank shall” for “the Federal land bank shall”.

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-399 effective immediately after amendment made by section 401 of Pub. L. 100-233, which was effective 6 months after Jan. 6, 1988, see section 1001(b) of Pub. L. 100-399, set out as a note under section 2002 of this title.

#### § 2202c. Repealed. Pub. L. 115-334, title V, § 5411(23), Dec. 20, 2018, 132 Stat. 4682

Section, Pub. L. 92-181, title IV, §4.14C, as added Pub. L. 100-233, title I, §102(a), Jan. 6, 1988, 101 Stat. 1578; amended Pub. L. 100-399, title I, §102(h), Aug. 17, 1988, 102 Stat. 990, related to review of restructuring denials and establishment of a National Special Asset Council.

#### § 2202d. Protection of borrowers who meet all loan obligations

##### (a) Foreclosure prohibited

A qualified lender may not foreclose on any loan because of the failure of the borrower thereof to post additional collateral, if the borrower has made all accrued payments of principal, interest, and penalties with respect to the loan.

##### (b) Prohibition against required principal reduction

A qualified lender may not require any borrower to reduce the outstanding principal balance of any loan made to the borrower by any amount that exceeds the regularly scheduled principal installment payment (when due and payable), unless—

(1) the borrower sells or otherwise disposes of part or all of the collateral; or

(2) the parties agree otherwise in a written agreement entered into by the parties.

##### (c) Nonenforcement

After a borrower has made all accrued payments of principal, interest, and penalties with respect to a loan made by a qualified lender, the lender shall not enforce acceleration of the borrower’s repayment schedule due to the borrower having not timely made one or more principal or interest payments.

##### (d) Placing loans in nonaccrual status

###### (1) Notification

If a qualified lender places any loan in nonaccrual status, the lender shall document such change of status and promptly notify the borrower thereof in writing of such action and the reasons therefor.