

must agree to accept any new member; and

(3) The transfer will not adversely affect collection of the AMP loan.

(c) *Requesting a transfer and assumption.* The transferor borrower and transferee applicant must submit:

(1) The written consent of any other lien holder, if applicable.

(2) A current balance sheet and cash flow statement.

(d) *Terms.* The interest rate and term of the assumed AMP loan will not be changed. Any delinquent principal and interest of the AMP loan must be paid current before the transfer of an assumption will be approved by the Agency.

(e) *Release of liability.* Transferors may be released from liability with respect to an AMP loan by the Agency when:

(1) The full amount of the loan is assumed.

(2) Less than the full amount of the debt is assumed, and the balance remaining will be serviced in accordance with § 772.9(c) of this subpart.

§ 772.11 Transfer and assumption—IMP loans.

Transfers and assumptions for IMP loans are processed in accordance with title 7, part 1962, subpart A of chapter XVIII of the Code of Federal Regulations for chattel secured loans and part 1965, subpart A of chapter XVIII of the Code of Federal Regulations for real estate secured loans. Any remaining transferor liability will be serviced in accordance with § 772.9(c) of this subpart.

§ 772.12 Graduation.

(a) *General.* Agency loan programs do not supplant or compete with credit available to borrowers from non-Governmental credit sources. Agency credit is intended to be available for a temporary period of time until the borrower has made sufficient progress to obtain credit from commercial lenders. This section does not apply to Minor Program borrowers with promissory notes which do not contain provisions requiring graduation.

(b) *Graduation reviews.* Borrowers shall provide current financial information when requested by the Agency or its representatives to conduct graduation reviews. After screening out the non-commercial and non-standard borrowers, the Agency will conduct a thorough review of the financial information provided by the borrower and request additional information as needed.

(1) AMP loans shall be reviewed at least every two years. In the year to be

reviewed, each borrower must submit, at a minimum, a year-end balance sheet and cash flow projection for the current year.

(2) All IMP borrowers classified as “commercial” or “standard” in accordance with title 7, part 1951, subpart F of chapter XVIII of the Code of Federal Regulations shall be reviewed at least every two years. In the year to be reviewed, each borrower must submit a year-end balance sheet, actual financial performance for the most recent year, and a projected budget for the current year.

(c) *Criteria.* Borrowers will be requested to graduate from the Minor Programs as follows:

(1) Borrowers with IMP loans that are classified as “commercial” or “standard” will be requested to apply for private financing within 30 days from the date the borrower is notified of lender interest, if an application is required by the lender. For good cause, the Agency may grant the borrower a reasonable amount of additional time to apply for refinancing.

(2) Borrowers with AMP loans will be considered for graduation at least every two years or as otherwise determined by the Agency that the borrower’s financial condition has significantly improved.

(d) *Enforcement.* The Agency shall take action to enforce graduation, when the Agency has evidence that commercial credit can be obtained at reasonable rates and terms.

(1) The Agency will accelerate the loan of a Minor Program borrower who fails to provide requested documents, does not take positive steps to refinance the loan when commercial credit can be obtained at reasonable rates and terms, or refuses to cooperate in any way with the requirements of this section.

(2) The Agency must inform the borrower in writing of the specific request of which the borrower failed or refused to cooperate and provide appeal rights in accordance with 7 CFR part 780 and 7 CFR part 11.

§ 772.13 Delinquent account servicing.

(a) *AMP loans.* The Agency will take the following actions on delinquent AMP borrowers:

(1) *First contact.* The Agency will attempt to contact the borrower 10 days after the payment due date, advise the borrower of the amount past due, and request that the payment be remitted immediately.

(2) *Second contact.* If within 20 days the borrower has not responded to the initial contact, a delinquency letter will be sent notifying the borrower that if the account is not brought current within 30

days, the Agency will take action to protect the Government’s interest.

(3) *Third contact.* If within 30 days the borrower has not responded to the second contact delinquency letter or the borrower will not or cannot make satisfactory arrangements to bring the account current, the borrower will be notified by letter of the option of selling their security property to recover any equity, and advising that further collection action, including internal agency offset and referral to the Department of Treasury Offset Program and Treasury Cross-Servicing, will be taken if payment is not received or satisfactory arrangements are not made to bring the account current within 15 days.

(4) *Liquidation.* If the borrower does not make arrangements to cure the default and is not eligible for reamortization in accordance with § 772.14 of this subpart, liquidation action will be taken according to § 772.16 of this subpart.

(b) *IMP loans.* Delinquent IMP borrowers will be serviced according to part 1951, subpart S, of chapter XVIII of the Code of Federal Regulations and title 7 parts 3 and 1951, subpart C of chapter XVIII of the Code of Federal Regulations, concerning internal agency offset and referral to the Department of Treasury Offset Program and Treasury Cross-Servicing.

§ 772.14 Reamortization of AMP loans.

(a) The Agency may approve reamortization of AMP loans when there is no extension of the final maturity date of the loan and no intervening lien exists on the security for the loan which would jeopardize the Government’s security position, and when:

(1)(i) The account is delinquent and cannot be brought current within one year; and

(ii) The borrower has presented a cash flow budget which demonstrates the ability to meet the proposed new payment schedule; or

(2) The account is current, but due to circumstances beyond the borrower’s control, the borrower will be unable to meet the annual loan payments;

(b) An exception may be provided by and at the discretion of the Agency Administrator to the conditions in paragraph (a) of this section in accordance with § 772.18.

§ 772.15 Protective advances.

(a) The Agency may approve, without regard to any loan or total indebtedness limitation, vouchers to pay costs, including insurance and real estate taxes, to preserve and protect the security, the lien, or the priority of the