

amount of two amortized annual installments, on the land contract. The guarantee will also cover the amount of two years of taxes and insurance. Under no circumstance will the amount outstanding to the Agency be more than the amount of two amortized annual installments, plus two years of real estate taxes and hazard insurance.

IX. Loan Rates and Terms

The interest rate charged by the seller for the 10-year term of the guarantee must be fixed at a rate not to exceed FSA's direct farm ownership (FO) loan interest rate in effect at the time the guarantee is issued, plus three percentage points (Interest rates are available in any FSA office). The seller and buyer may renegotiate the interest rate for the remaining term of the contract following expiration of the guarantee. The contract payments must be amortized for a minimum of 20 years. Balloon payments are prohibited during the 10-year term of the guarantee, and payments on the contract must be of equal amounts during the term of the guarantee.

X. Appraisal Requirements

The Agency may require an appraisal prior to, or as a condition of, approval of the guarantee. Any such appraisal will be obtained at the Agency's sole option and expense.

XI. Requesting Title Service

The buyer will obtain title clearance as provided in 7 CFR part 1927, subpart B, or its successor regulation prior to contract settlement and issuance of the guarantee.

XII. Environmental Compliance

The environmental and historic preservation requirements contained in 7 CFR part 1940, subpart G or its successor regulation must be met prior to approval of any guarantee request.

XIII. Processing and Approving Applications and Executing the Guarantee

(a) Requests for guarantee will be processed based on the date the Agency receives a complete application as defined above. Each pilot State may approve up to five loan guarantees each fiscal year of the pilot program. Approval is also subject to the availability of guaranteed FO loan funds and the participation of an approved escrow agent.

(b) After a request for guarantee is approved, all parties to the guarantee (buyer, seller, escrow agent, and the Agency) will execute the Loan Payment Guarantee Agreement and Contract

Modification. This Agreement will describe the conditions of the guarantee and the process for payment of claims. It will also outline the covenants and agreements of the buyer, seller, escrow agent, and the Agency.

XIV. Escrow Agent Responsibilities

Use of a third party escrow agent approved by the Agency is required. The buyer or seller, as applicable, will provide the Agency a copy of any escrow agreement executed by the parties. The escrow agent will:

(a) handle transactions relating to the land contract between the buyer and seller;

(b) receive contract installments and remit them to the seller;

(c) notify FSA and the seller in the event of default by the buyer;

(d) remit to the seller any defaulted installment amount paid by the Agency under the guarantee;

(e) notify FSA and the seller semi-annually of the outstanding balance on the contract and the status of payment;

(f) send a notice of payment due to the buyer at least 30 days prior to the installment due date; and

(g) perform other duties as required by State law and as agreed to by the buyer and the seller.

XV. Routine Servicing and Contract Modification

(a) At the Agency's request, the buyer will supply the Agency with a current balance sheet, income statement, cash flow budget, and any additional information needed to analyze the buyer's financial condition annually.

(b) With the Agency's prior written approval, the seller and buyer may modify the land contract provided that, in addition to a feasible plan for the upcoming operating cycle, a feasible plan can be reasonably projected throughout the remaining term of the guarantee. If a contract is modified, the seller must provide the Agency and escrow agent with a copy of the revised contract.

XVI. Collection of Defaulted Installment Amounts

If the buyer fails to pay an annual amortized installment on the contract, or a portion of an installment on the contract, the escrow agent will notify the seller and the Agency in writing of the default. The seller must then take immediate action to enforce the terms of the contract and collect the defaulted amount from the buyer. At a minimum, the seller must make written demand on the buyer for payment of the defaulted amount, with a copy of the demand letter to the Agency. In the event that

the buyer does not pay the defaulted amount within 30 days of the seller's written demand, the seller will make demand upon the Agency to pay the defaulted amount. The seller must make written demand upon the Agency within 90 days from the date the amount was due.

XVII. Delinquent Servicing

(a) When FSA has made a payment under this guarantee on behalf of the buyer, the amount paid will become immediately due and payable by the buyer. The unpaid balance of the amount paid on behalf of the buyer will bear interest from the date of advance by the Agency at the established Farm Loan Programs Nonprogram Credit Sales Real Property loan rate (available in any FSA office) in effect at that time. The Agency will notify the buyer of the available options for repaying the debt. At the Agency's discretion, a missed or partially missed amortized contract installment, delinquent real estate taxes, or insurance payments may be structured to be repaid consistent with the buyer's repayment ability not to exceed 7 years, or the termination date of the guarantee, whichever occurs first. Before any repayment plan can be approved, the buyer must provide the Agency with the best lien obtainable on all of the buyer's assets, including the buyer's interest in the real estate under contract. When the buyer is an entity, the best lien obtainable will be taken on all of the entity's assets, and all assets owned by the members of the entity, including their interest in the real estate under contract.

(b) Any amounts paid by the Agency on account of liabilities of the buyer will constitute a Federal debt owing to the Agency that is immediately due and payable by the buyer. If the debt is not restructured into a repayment plan or the delinquency otherwise cured, the Agency may use all remedies available to it, including offset under the Debt Collection Improvement Act of 1996, to collect the debt from the buyer.

(c) Buyers with an Agency-approved repayment plan will supply the Agency, upon request, with a current balance sheet, income statement, cash flow budget, complete copy of their Federal income tax returns, and any additional information needed to analyze the buyer's financial condition annually.

(d) If the buyer fails to perform under an Agency-approved repayment plan, the debt will be treated as a non-program loan debt, and servicing will proceed in accordance with 7 CFR 1951 section 1951.468, or its successor regulation. In such case, the Agency may use all remedies available to it,