

Association of Communication Engineers/USDA Rural Development Seminar

Losing It: Loan Rescissions and How to Avoid Them

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Committed to the future of rural communities.

Losing It: Loan Rescissions and How to Avoid Them

ULO's

Unliquidated Obligations

or

Unadvanced Loan Funds

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Required to better manage ULO's

- **OIG Audit of RD Financial Statements**
- **Federal Managers' Financial Integrity Act**
- **Office of Management and Budget A-123**
- **USDA Regulations**

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Reviews of unliquidated obligations are necessary to:

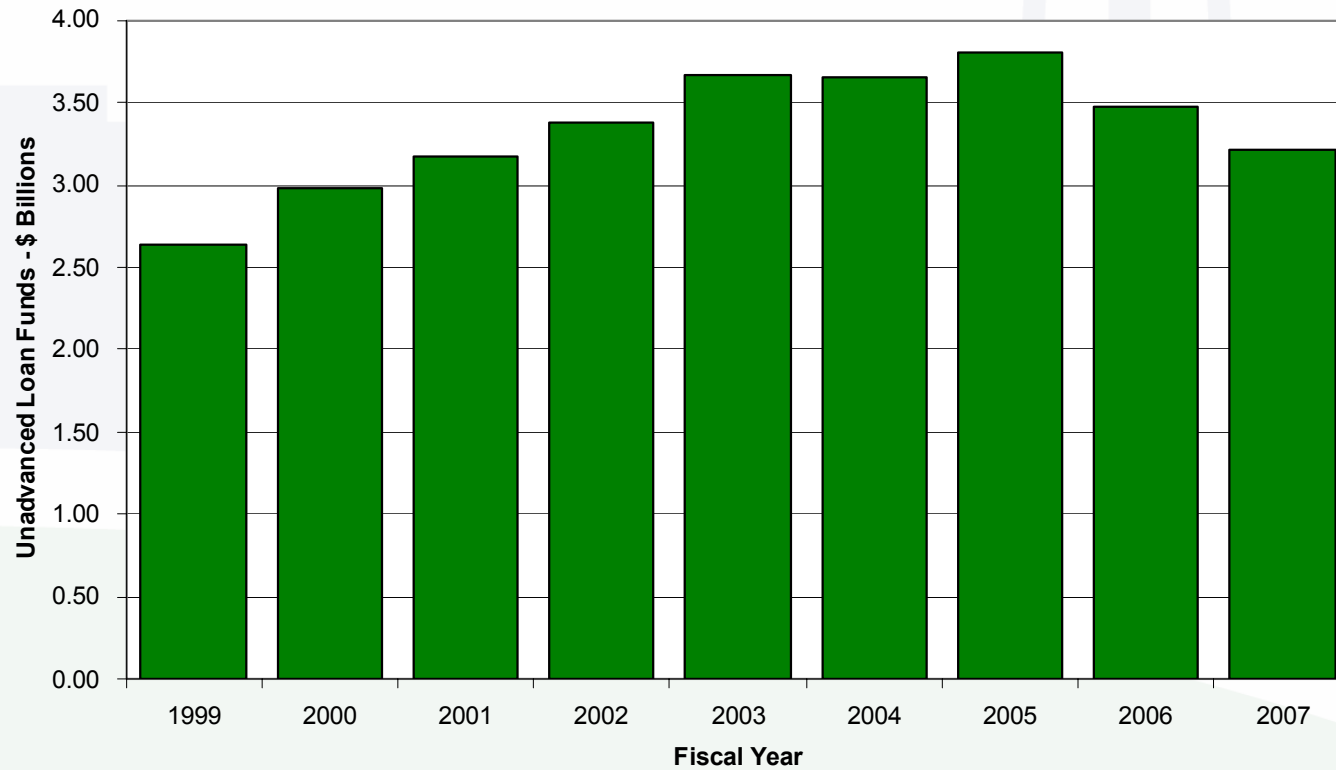
- properly report obligation balances
- certify the validity of obligated balances
- make funds available that otherwise would not be used
- reduce risk of misuse and theft of funds
- improve the Treasury Department's ability to forecast outlay and borrowing needs
- help Congress set reasonable budgets

Moreover, this is just good management practice

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Total Unadvanced Loan Funds
at the end of the Fiscal Year



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As of September 30, 2006:

- 394 borrowers with 831 unadvanced loans
- Unadvanced funds totaled over \$3.6 billion

As of September 30, 2007:

- 335 borrowers with 653 unadvanced loans
- Unadvanced funds totaled nearly \$3.3 billion

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Some very old loans

- 21 loans with unadvanced funds approved more than 20 years ago
- Oldest approved December 15, 1978

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Unadvanced Amount per Borrower?

\$4,000

to

over \$145 million

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Per OIG Audit & USDA Regulations

- Letters to Borrowers
 - Traditional loans at least 5 years old
- Certification
 - All loans & grants at least 3 years old

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Certification as of May 31

- Rescinded or to be rescinded
- Advanced or to be advanced
 - Within 12 months
 - Beyond 12 months; extenuating circumstances

GFR & HQ contacts

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Letters to Borrowers with Unadvanced Loans More Than 5 Years Old

- Sent by March 31 every year
- Plans for those funds
 - Rescind and/or
 - Need and plan for advances

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Letters sent March 24, 2008

Borrowers with unadvanced funds from loans at least 5 years old

174 borrowers with 314 loans – \$1.157 billion

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Acceptable Plan already received

Didn't send letter

- 27 borrowers with 47 loans
 - \$127 million

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Form showing details for each loan with unadvanced funds

- type of loan, loan approval date, maturity date, original amount of the loan, and the unadvanced balance as of the time of the letter
- boxes to check
 - loan fully or partly rescinded
 - (noting why funds are no longer needed)
 - still need additional advances of the loan funds

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Borrowers should return the form and any supporting material to me (the Program Advisor)

- specific contact information is on the forms & in the letter

We use telephone calls, e-mails, and other correspondence to follow up where we have not received a response or where we need additional information

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Progress from October 1, 2006 through April 30, 2008

- Loans Advanced - \$638 million
- Loans Rescinded - \$603 million

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Loans Unadvanced as of April 30, 2008

	Number	Amount
At least 5 years old	340	\$1.223 billion
Less than 5 years old	238	\$1.556 billion
Total	578	\$2.779 billion

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Borrower can request rescission at any time, no matter how old the loan is

- Don't have to receive letter from us
- May use form or put same information in a short letter

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“One Big Pot of Money”

Borrower requests source of funds

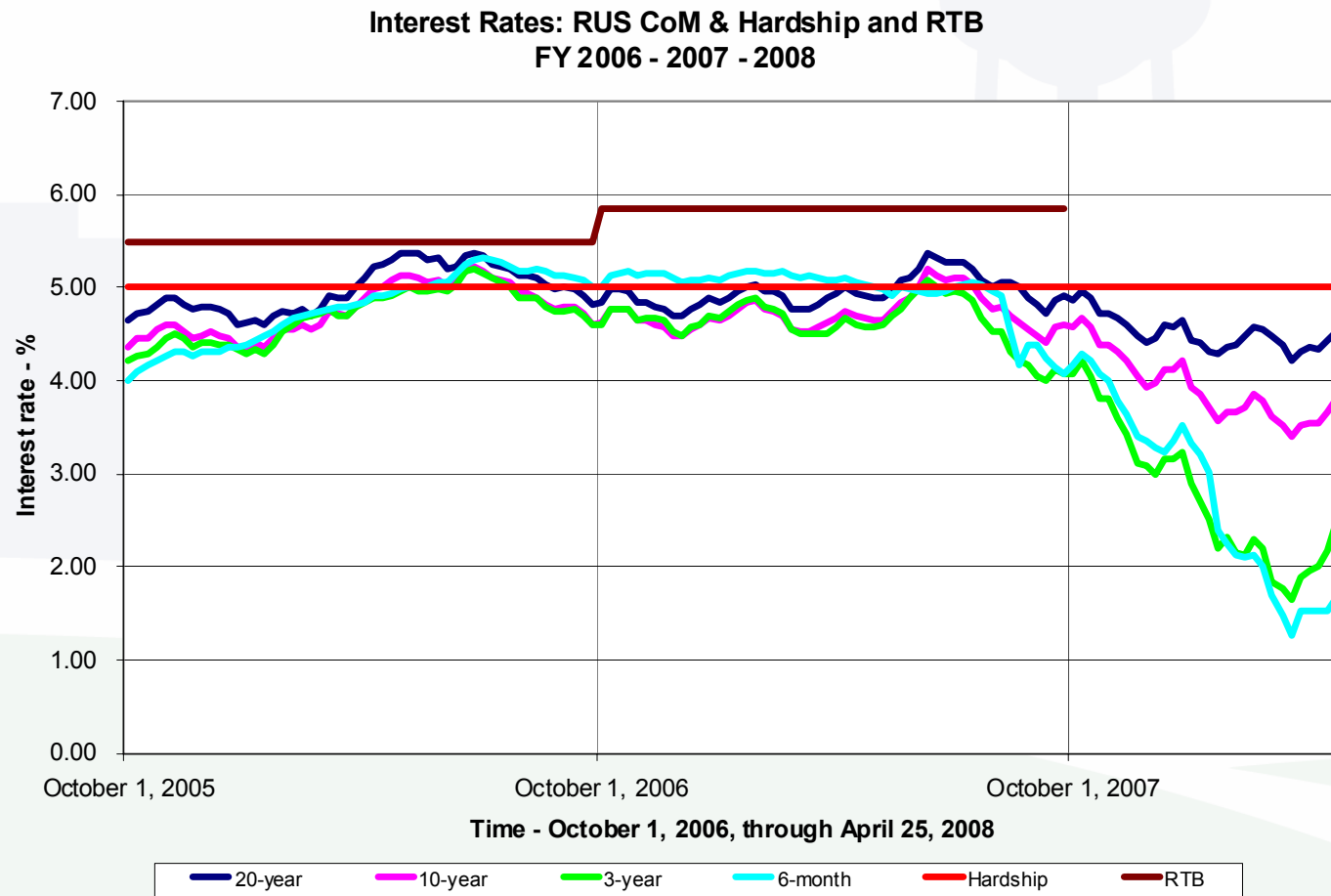
- Exceptions –
 - HQ
 - nonconstruction vehicles
 - leased station equipment
 - “merger areas”

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- Type of Loan / Interest Rate
- Maturity Date

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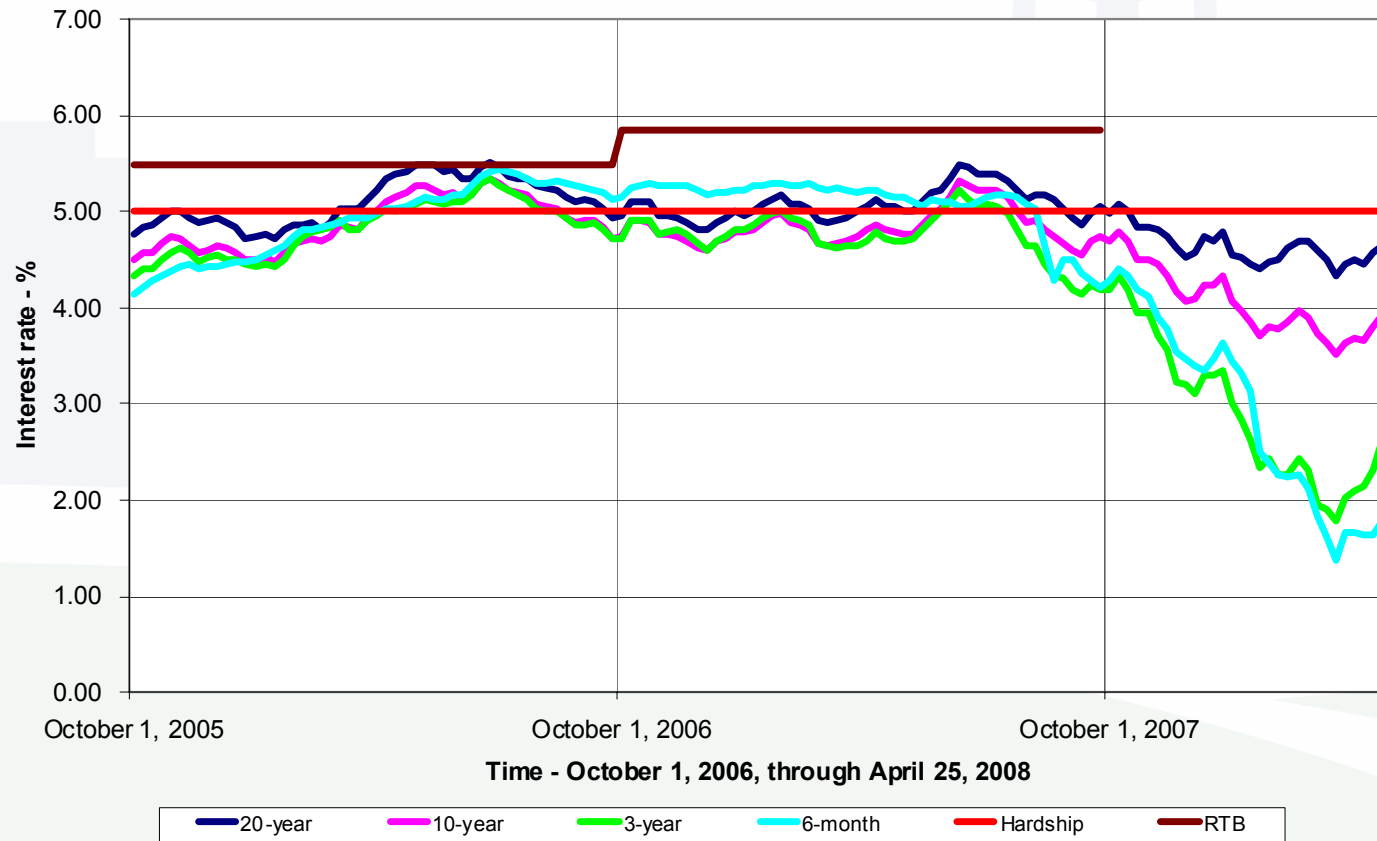
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Interest Rates: FFB, RUS Hardship & RTB
FY 2006 - 2007 - 2008



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Federal Reserve Statistical Release

- <http://www.federalreserve.gov/releases/h15/data.htm>