



**ACEDC LOAN WORKOUT, SPECIAL SERVICING, AND
WRITE-OFF POLICY AND PROCEDURE**

Purpose: To direct staff and the ACEDC Loan Committee regarding the handling of loans within the ACEDC loan portfolio that are beyond 30 days past due (DPD).

Policy: It is the policy of the ACEDC that all borrowers be treated with respect and every effort be made to keep borrowers current. However, to protect the financial integrity of the organization and ensure that funds are available for future lending, actions must be authorized and taken to collect overdue payments, and, if necessary, convert loans to private payments, and as a last resort, write off loans.

Days Past Due:

Action Required:

30 DPD

Portfol-generated loan invoices include “Past Due” and calculated late fees in **bold**.
Sample:

PAST DUE:	1,319.02
Late Fees Due:	65.95
Current Principal and Interest Due:	1,334.51
Your Payment is Due 9/1/18 Total Due:	\$2,719.48

No further action is taken at this time.

Portfol status: Delinquent.

USDA status: Active.

Accountant reports delinquency to ED when invoices are sent. One late fee within a twelve-month period may be waived by the Executive Director (ED).

60 DPD

Portfol-generated loan invoice includes Past Due amount and calculated late fees. Accountant notifies ED when invoices are sent. ED calls borrower at the time the invoice is sent to inquire about issue and offer ACH or workout application, as appropriate.

Portfol status: Delinquent.

USDA status: Active.

90 DPD

Portfol-generated loan invoice includes Past Due amount and calculated late fees. Accountant reports delinquency to ED, who calls borrower. Delinquency and results of call are reported to Loan Committee with any additional information and ED’s Special Servicing recommendation, if required.

Portfol status: Delinquent.

USDA status: Active.

Special Servicing

Any request for Special Servicing must be approved by Loan Committee. Review will include, but not be limited to: Summary of borrower circumstances, nature, estimated scope and duration of temporary hardship, summary of current debt and status of payments to other creditors, plan to address cause(s) of hardship.

Forbearance. After review and approval by Loan Committee, principal loan payments and payment of interest may be deferred for a period of up to one year, if borrower can show temporary hardship. Interest continues to accrue but no late fees are incurred. A standard letter agreement must be signed by borrower and ED documenting terms of the forbearance. Terms will include borrower providing updated evidence of current insurance, payment of all taxes and providing *monthly* financial statements acceptable to ACEDC. If an intercreditor agreement is in place, ED will discuss plan with participating creditors, confirm status and balance of debt, and protect ACEDC lien position.
Portfol status: Forbearance, including new loan phase.
USDA status: Deferred.

Deferment. After review and approval by Loan Committee, loan principal payments may be deferred or reduced for a period of up to one year if borrower can show temporary hardship. Interest payments continue. Interest *does not* continue to accrue, and no late fees are charged. A standard letter agreement must be signed by borrower and ED documenting terms of the deferment. Terms will include borrower providing updated evidence of current insurance, payment of all taxes and providing *monthly* financial statements acceptable to ACEDC. If an intercreditor agreement is in place, ED will discuss plan with participating creditors, confirm status and balance of debt, and protect ACEDC lien position.
Portfol status: Deferred, including new loan phase.
USDA status: Deferred.

Modification. If indicated by borrower's documented financial situation, after review and approval by Loan Committee, a loan modification that changes the terms of the loan may be entered into by attorney-prepared loan documents. A modification would be necessary if changes to the loan include interest rate, loan term, payment, or other material changes that will affect the loan for a period of greater than one year. Loan modification may also include the termination of a loan and the substitution of a guaranty pay-out note. If an intercreditor agreement is in place, ED will discuss plan with participating creditors, confirm status and balance of debt, determine intentions of other creditors, and protect ACEDC lien position. A fee must be paid by the borrower to cover attorney costs.
Portfol status: Modified, including new loan phase or Terminated-Replaced by Guaranty Note.
USDA status: Deferred.

Write-Off

Forgiveness: If indicated by borrower's documented financial situation, where there is a documented complete default and the likelihood of additional recovery is remote and/or the cost of attempting such recovery exceeds the possible recovery amount, after review and approval by the Loan Committee, a portion of loan balance may be forgiven as a negotiating tool for partial payment, or the entire balance may be forgiven. Loan forgiveness must be made by terminating the loan through execution of attorney-prepared documentation including releasing any lien filings. A fee must be paid by the borrower to cover attorney costs. If an intercreditor agreement is in place, ED will notify participating creditors, confirm status and balance of debt, and determine intentions of other creditors.
Portfol status: Forgiven (entire) or Forgiven (partial).
USDA status: Final-Write-off.

No Further Collection Action: If indicated by borrower's documented financial situation, where there is a documented complete default and the likelihood of additional recovery is remote and/or the cost of attempting such recovery exceeds the possible recovery amount, after review and approval by the Loan Committee, the loan balance shall be written off to the appropriate Loan Loss account and the asset removed from the ACEDC books. Loan write-off is an internal adjustment: there remains a valid debt, the borrower's obligation is not impacted, and security is not released. However, no further collection actions are taken. If an intercreditor agreement is in place, ED will notify participating creditors, confirm status and balance of debt, and determine intentions of other creditors.

Portfol status: Terminated: no further collection.

USDA status: Final -Loss.

[Note: Most borrowers will receive an IRS 1099 form from ACEDC (amount is considered income for the borrower). However, loans made through the CBLF will not receive a 1099.]

Foreclosure or seizure of assets. Where indicated and at the appropriate step during special servicing, collateralized assets may be seized and sold for satisfaction of debt. When foreclosure or seizure of assets is considered, an attorney must be engaged to manage the foreclosure/seizure with and among the creditors.

Portfol status: Terminated: no further collection.

USDA status: Final -Loss.

Amendment Approved by ACEDC Loan Committee: September 2023

Approved by ACEDC Board: January 18, 2024