USDA Guaranteed Loans
Default Process/Timeline
Note Dates Prior to August 2, 2016

Rural Business-Cooperative Service ("RBS") Government Guaranteed Loans
Closed with Note Dates Proir to August 2, 2016

Definition
Default occurs when the borrower fails to perform under any covenant of the Note. Failure to repay the loan is the most common form of borrower default.

The timeline provided below is for illustrative purposes only. Each loan payoff scenario can be unique; therefore, the dates and timing of each step in the process may vary.

Sample Calendar
January 1: The Borrower fails to make the required principal & interest payment. The Borrower is technically in default status based on the terms and conditions of the Promissory Note. Holder(s) make inquiry to the Lender to learn the details of the borrower's delinquency status. Lender indicates they are working diligently with the borrower to bring loan into a current status.

March 1: The Borrower is in default for 60 days. The Holder of guaranteed portion of the loan can initiate the formal written demand to the originating Lender to repurchase the guaranteed portion of the loan. The Holder will concurrently send a copy of the demand letter to the USDA. The agency encourages the Lender's repurchase of the guaranteed portion of the loan.

March 1 or March 2: The Lender has the option to repurchase the unpaid guaranteed portion of the loan from the Holder or deny the Holder's request. Even though the Agency encourages the Lender repurchase, the majority of the originating Lenders defer to the Agency to repurchase the guaranteed portion of the loan from the respective Holder in the secondary market.

Option #1: The Lender repurchases the loan by April 1; therefore, the Holder will receive the guaranteed principal balance ("par amount") plus accrued interest from the last interest paid to date up to but not including the date of re- purchase. In our example, interest will be paid to April 1.

Option #2: The Lender chooses to deny the Holder's request; therefore, the Holder will make demand upon the Guarantor, the United States Department of Agriculture ("USDA"). The claim/demand to the Agency is submitted on April 1.

May 1: The USDA will repurchase from the holder the unpaid guaranteed principal balance ("par amount") plus accrued interest up to but not including the date of repurchase of May 1. Payment is coordinated between the Agency and the Holder in the form of a Fed Funds wire, a check, or an ACH credit, with a wire being the most common vehicle of payment.

Very important notice
The Loan Note Guarantee **will not** cover the interest to the Holder accruing **after 90 days** from the date of the original demand letter to the lending institution requesting the repurchase of the guaranteed portion of the loan. In our example, the demand to the Lender was submitted on March 1; therefore, **the Agency will not pay accrued interest beyond June 1. It is imperative for the Holder to make timely demand to avoid any loss of interest.**

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