

Keeping up with Loan Obligations

If your loan is approved, depending on the type of loan, you will have certain responsibilities to keep up with during the duration of your loan. For example, if you have a term loan that is several years long and is based on securities, you will have several responsibilities for maintaining those securities. Failure to do so could cause you to enter Non-Monetary Default, which happens when a borrower fails to comply with their obligations under the loan agreement, and can result in foreclosure or FSA laying claim to the assets put up as collateral. Therefore, it is critically important to fully understand your obligations, and keep up with any check-ins with FSA that are required during the term of your loan. Common obligations that most borrowers must comply with while paying back FSA loans include (but are not limited to):

- You must pay any necessary fees required by the agency for lien search reports, or for executing, filing or recording financial statements, credit checks, or other fees. Failure to pay fees on time from the start of the process can constitute valid denial of loan application.
- You must maintain and protect your collateral securities. This means taking proper care of equipment and structures. If your security is chattel, such as breeder stock, you must allow FSA to inspect and account for the animals. You must allow FSA access to your property in order to inspect and account for securities.
- You must pay any and all taxes on property and security.
- **IMPORTANT:** You also must maintain insurance coverage as specified by FSA in your loan agreement. This may include general hazard insurance, crop insurance, or other forms of insurance depending on your operation and type of loan. Many farmers do not realize that a failure to maintain consistent insurance coverage can result in non-monetary default and put them at risk of losing their assets.³⁰

³⁰ 765.202, Servicing the Loan