

CREDIT AND DEBT MANAGEMENT  
OPERATING STANDARDS AND PROCEDURES HANDBOOK

CHAPTER 6. LOAN SERVICING

Section 1.0 General

This chapter provides the essential procedures for loan servicing which commences after loan closure. Loan servicing requires contact with borrowers, maintenance of the official loan file, development of current and useful loan status information, use of credit bureau reports, identification of problem accounts, and processing of waivers, modifications and amendments to loan agreements. Servicing is the responsibility of the loan officer. Other functions related to servicing are found in [Chapter 7, “Billings and Collection,”](#) and [Chapter 9, “Delinquency Follow-up.”](#)

Section 2.0 Loan Officer Monitoring

.01 Agreement Terms and Conditions

The loan officer will have a sufficient understanding of the loan agreement, collateral documents, payment schedule and responsibilities of the borrower and its agents to properly advise the borrower and the other organization unit officials servicing the loan to avoid occurrences of noncompliance and/or default.

.02 Contact with Borrower

The loan officer will maintain close personal contact with the borrower and its agent(s) to:

- a. Provide a current assessment of critical loan status factors;
- b. Secure financial and other reports and information in a timely manner as required in the loan agreement;
- c. Advise the borrower on questions and issues pertaining to the loan agreement, including borrower requests for changes thereto; and
- d. Ensure that assets are properly maintained, insurance requirements are met, required reserves are maintained, and the financial status is reported on a current basis.

.03 Coordination

The loan officer will coordinate information and actions with other organization unit offices pertaining to disbursements, collections, and any pending legal actions involving the borrower.

.04 Review of Reports

The loan officer will review the reports submitted by the borrower to identify trends and issues that may affect repayment capability or jeopardize collateral, and recommend action as appropriate (see Section 3.0, below).

Section 3.0 Borrower Information

.01 Financial Reports

The borrower shall be required to provide financial and other reports on schedule in accordance with the terms of the loan agreement.

.02 Other Ad Hoc Reports

A special clause should be inserted in all loan agreements requiring the borrower to provide any information that may potentially affect the stability of the loan, i.e., lawsuits involving the borrower, death of a key official or employee, market competition information, prices, plant and equipment utilization, and product changes.

Section 4.0 Changes to Loan Agreements

.01 Loan Officer Responsibilities

The loan officer will process and recommend approval or denial of all requests for waivers, modifications, and amendments to the original loan agreement based on additional information from the borrower, other Government agencies, and from internal and external sources, including credit bureau reports.

.02 Approving Official Review

Any changes to the original loan agreement recommended (or denied) by the loan officer will be reviewed by the designated organization unit approving official. Legal clearance on all proposed changes is required.

No approving official is to recommend or approve any change in the scope of a loan project that would cause noncompliance of a loan agreement with the requirements and standards contained in revised [OMB Circular A-129 Revised](#),

## Policies for Federal Credit Programs and Non-tax Receivables.

### Section 5.0 Loan Status Information

#### .01 Management Reports

The loan officers will maintain and provide individual and collective loan status information to organization unit management. In turn, each organization unit will establish and maintain adequate information sources and controls to provide timely, accurate, and useful information on all loans, with special emphasis on pertinent information about the status of each loan processed, early warning signs of problem loans, and delinquency follow-up.

#### .02 Credit Reports

The loan officer will obtain a credit bureau report on at least an annual basis to aid in evaluation of the financial status of the borrower. Loan officers shall, at a minimum, obtain credit reports semiannually on all borrowers who have been determined to have substandard loans. Other credit analysis services of credit bureaus will also be used when necessary and cost-effective.

#### .03 Other Sources

The loan officer should gather information from other sources, as appropriate, which could affect the loan portfolio, i.e., changes in demographics, market characteristics, manufacturing processes, tax legislation, and foreign trade legislation.

### Section 6.0 Official Loan File

Appropriate documents generated as a result of loan servicing will be included in the official loan file as required in [Chapter 5](#), Section 14.0.