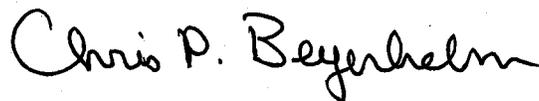


For: State and County Offices

FLP Guidance on Funding OL Applicants for 2011

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

FLP anticipates that continued budget limitations in fiscal year 2011 will result in the inability to timely fund direct and guaranteed OL's. Additionally, there is a possibility that loan funds will not be sufficient to fund all approved loan requests.

B Purpose

This notice provides guidance on the actions that FSA and guaranteed lenders should take to assist applicants in obtaining short term operating funds.

C Contact

If there are questions about this notice:

- County Offices shall contact State Offices
- State Offices shall contact either of the following by telephone:
 - LMD at 202-720-1472
 - LSPMD at 202-720-4572.

Disposal Date	Distribution
October 1, 2011	State Offices; State Offices relay to County Offices

Notice FLP-585

2 Loanmaking and Loan Servicing

A Short Term Credit

Efforts must be increased to assist applicants in obtaining other sources of credit whenever possible because of the limited availability of direct and guaranteed OL funds.

All applicants should be encouraged to seek credit through conventional sources. FSA will actively assist applicants in obtaining other credit, both with and without FSA guarantee, including market placement.

Applicants with approved but unfunded direct OL's that are able to obtain short term financing from other sources will be allowed to refinance those debts with loan funds, assuming they continue to meet all other eligibility criteria and funding becomes available. The fact that these applicants obtained temporary credit elsewhere does not negate FSA's previous test for credit decision. Similarly, for lenders that have advanced funds for approved OL's before receiving the guarantee, FSA will issue the guarantee when funds become available assuming the applicant remains eligible. Lenders participating in the guaranteed loan program should be notified of this policy. However, lenders and applicants must be advised that there is no guarantee that FSA will be able to refinance the loan or issue a guarantee at any point during the fiscal year.

B Release of Normal Income Security

Normal income security proceeds may be released according to 4-FLP, subparagraph 163 B, and any additional guidance in approved State supplements. Any portion of the proceeds planned for FSA FLP debt reduction may be released, as needed, for essential family living or farm operating expenses. County Offices shall revise FBP and FSA-2040 to account for the release of proceeds according to 4-FLP, subparagraph 162 E.

C Subordinations

Real estate and chattel security for direct loans may be subordinated to allow another lender to provide annual operating expenses with or without FSA guarantee. See 4-FLP, paragraph:

- 117 for policies and procedures covering subordination of real estate security
- 118 for policies and procedures covering subordination of chattel security to another lender.

For cases that involve a guarantee request in conjunction with a subordination, see 2-FLP, paragraph 279, in addition to the appropriate 4-FLP paragraph.

Note: 4-FLP will be clarified to cite the 2-FLP criteria when considering the subordination of direct loan security for a guaranteed loan.