

For: State and County Offices

FSFL's and Grants/Loans From Other Government Agencies

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

The FSFL Program provides low-interest financing for producers to build or upgrade farm storage and handling facilities.

A number of Government agencies also award grants and loans to encourage constructing storage facilities for certain agricultural commodities. For example, USDA's RD has grants and loans for certain energy efficiency improvements under the Rural Energy for America Program (REAP). Farmers are eligible for certain grants and loans to purchase or replace energy efficient equipment in commodity storage structures.

CCC has learned that some producers may be receiving both FSFL and a grant and/or loan from a Government agency for the same equipment for the same or overlapping time period, resulting in a possible duplication of benefits. Duplicating benefits is **not** permitted according to regulations by FSA because the FSFL Program is based on the "net costs" to the producer. The maximum amount of any FSFL shall be 85 percent of the net cost of the applicant's needed storage or handling equipment **not** to exceed \$500,000 per FSFL.

Note: 1-FSFL will be amended to incorporate the procedure detailed in this notice.

B Purpose

This notice informs State and County Offices of FSFL procedure when FSFL borrower has received, or will receive, a grant and/or loan from any other Government agency for the same equipment for which he or she received or will receive FSFL.

Disposal Date	Distribution
August 1, 2010	State Offices; State Offices relay to County Offices

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1 Overview (Continued)

C Contact

State specialists with questions about this notice shall contact DeAnn Allen, PSD, by either of the following:

- email to deann.allen@wdc.usda.gov
- telephone at 202-720-9889.

2 Loans and Grants for Commodity Storage Structures

A FSFL's

The FSFL Program finances commodity storage structures, and also provides for the following equipment determined by CCC to be needed and essential to the proper operation of the commodity storage system:

- new grain drying and permanently affixed handling equipment
- new refrigeration units or systems and circulation fans for FAV cold storage facilities.

FSFL's are disbursed when:

- a portion of the facility is completed and commensurate with the portion complete, up to 50 percent, after acceptable documentation for completed construction has been presented to CCC
- the entire structure has been completed.

B RD REAP Grants and Loans

RD REAP grants and loans are available to farmers, ranchers, agricultural producers, and small businesses who:

- gain 50 percent or more of their gross income from their agricultural production
- demonstrate a financial need.

Energy efficiency improvements are improvements to a facility building on processes that reduce energy consumption. As it pertains to FSFL, these may include the following:

- grain dryers
- cold storage facilities for FAV's.

A Renewable Energy System is a system that produces and delivers usable energy from a renewable energy source.

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2 Loans and Grants for Commodity Storage Structures (Continued)

C Other Grants and Loans

A number of States, many through their State Departments of Agriculture, offer grants and loans to eligible producers to construct storage structures for specific commodities.

3 FSFL Policy on Other Grants and Loans on FSFL-Financed Structures

A Duplication or Reporting of Benefits

In general, and subject to program regulations and statutory authority, programs administered by FSA do **not** allow for duplicating benefits.

All financial assistance from all sources must be identified so FSA can ensure that there is no possible duplication of benefits.

B FSFL's

Producers that request FSFL and have or will receive a grant or loan (guaranteed or regular) from another Government source that is to be used for the same building or structure during the same or overlapping time period shall:

- subtract the amount of the grant or loan received **or** approved from the total eligible cost of the FSFL structure
- **not** include the amount of the grant or loan in FSFL.

IF County Office is ready to make the final FSFL disbursement and the borrower...	THEN the...
has been approved for or received a grant or loan from another Government agency for the same building or structure, for the same or overlapping time period	amount of the grant or loan must be subtracted from the total eligible cost of FSFL before disbursement. Note: If the grant or loan was included in the FSFL amount, this would be a duplication of benefits and not allowed under FSA programs.
uses a non-Government loan for the required down payment for FSFL	County Office shall ensure that the loan was accounted for when determining the borrower's ability to repay FSFL.

Note: See paragraph 5 for instructions if FSFL has already been disbursed.

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3 FSFL Policy on Other Grants and Loans on FSFL Financed Structure (Continued)

B FSFL's (Continued)

Example: The total cost of an FSFL structure is \$100,000. The producer receives a REAP grant for \$25,000 for the same structure for the same or overlapping time period. The REAP grant is subtracted from the total cost of the structure. The producer is required to contribute at least 15 percent, or in this example \$11,250, of their own money to the project. The maximum amount the producer can receive for FSFL shall be \$63,750, as follows:

\$100,000	Total cost of structure.
<u>- \$25,000</u>	REAP grant received for the same structure.
\$ 75,000	Maximum FSFL amount before required down payment.
<u>- \$11,250</u>	Required 15 percent down payment.
\$ 63,750	Total eligible amount allowable for FSFL.

C Sharing Information

FSA and RD are developing MOU to share information on FSFL and REAP recipients to avoid duplicating benefits. Information will be provided to FSA State and County Offices when MOU is finalized.

4 Final FSFL Disbursement

A Final FSFL Disbursement Certification

A form will:

- be developed to declare all final bills that represent the total costs for FSFL
- assist FSA in identifying grant and loan recipient **before** preparing loan documents for the **final** closing of FSFL.

This form will:

- identify **all** bills and invoices for the entire structure

Note: This will ensure to the County Office that the borrower has submitted all bills and invoices associated with the entire structure.

- include a statement that must be signed and dated by **all** borrowers:
 - certifying that a request or application has not been submitted, approved, or paid by any Government grant or loan on the same structure or other collateral used for this FSFL
 - identifying all other sources of funding for the FSFL structure.

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4 Final FSFL Disbursement (Continued)

B Finalized Disbursement Certification

As soon as this form is finalized, the State and County Offices will be:

- notified that it is available
- provided specific instructions.

5 Disbursed FSFL's and Other Government Grants and/or Loans

A Possible Duplication of Benefits in Previously Disbursed FSFL's

The possibility exists that FSFL's may have been disbursed before RD or other Government grants and/or loans (including loan guarantees) for the same equipment for the same or overlapping time period was subtracted from the total cost of the structure, resulting in the duplication of benefits.

County Offices shall:

- review publicized lists or lists received from RD and other Government agencies for possible duplicate FSFL, RD and other Government agency grants and/or loan recipients
- compare these lists to FSFL's approved and/or disbursed since June 18, 2008.

If after reviewing the lists, a duplication of benefits is a possibility, County Offices shall:

- prepare and send all FSFL borrowers on the loan in question, a notification letter addressing the possible duplication of benefits
- give borrowers the opportunity to present documentation to substantiate that there was no duplication of benefits.

Notes: County Offices **must** prepare and send FSFL notification letters. NRRS does **not** prepare notification letters for FSFL until the loan collateral has been liquidated.

Modify the letter in 1-FSFL, subparagraph 150 C accordingly.

If the duplication of benefits is verified or the borrower does **not** respond to the notification letter, County Offices shall prepare and send:

- the first demand letter 45 calendar days following the notification letter, requesting payment of the grant and/or loan amount

Note: Modify the demand letter in 1-FSFL, subparagraph 150 F accordingly.

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5 Disbursed FSFL's and Other Government Grants and/or Loans (Continued)

A Possible Duplication of Benefits in Previously Disbursed FSFL's (Continued)

- subsequent demand letters at 30 calendar day intervals, if necessary.

Note: County Offices **must** prepare and send FSFL demand letters. NRRS does **not** prepare demand letters for FSFL until the loan collateral has been liquidated.

If payment is received:

- apply a lump sum payment to FSFL
- re-amortize the loan principal remaining, according to 1-FSFL, paragraph 290
- the new installment amount from the re-amortization of the loan:
 - must be manually changed on the reminder and notification letters, which print automatically at start-of-day, to reflect the new installment amount, for the life of the loan
 - will be due on the original annual installment date for the term of the loan.

Note: CCC-186 does not have to be revised with the borrowers initialing the change because the annual amount due will be less the annual installment amount printed in CCC-186, item 6.

B Applicable Grant Amounts

Grant writers are being hired to write grant proposals for many government grants. The fee charges by the grant writer, either a flat fee or a percentage of the final grant, may be subtracted from the amount to be applied to FSFL.

Example: An approved FSFL applicant has hired a grant writer to prepare the grant proposal for a \$250,000 grain storage facility. The fee charged by the grant writer is 10 percent of the final grant award. The REAP grant is awarded for \$62,500. The grant recipient owes the grant writer \$6,250. The applicable grant amount for FSFL purposes is \$56,250. This amount must be subtracted from the total cost of the structure, as follows:

\$250,000.00	Total cost of structure.
<u>-\$ 56,250.00</u>	REAP grant received less grant writer fee.
\$193,750.00	Maximum FSFL amount before required down payment.
<u>- \$29,062.50</u>	Required 15 percent down payment.
\$164,687.50	Total eligible amount allowable for FSFL.

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6 Action

A State Office Action

State Offices shall:

- comply with the policy and procedures in this notice effective immediately
- develop a working relationship with RD and other government agencies within their State that award grants or loans to eligible producers for commodity storage facilities or equipment to ensure that there is not a duplication of benefits
- assist County Offices with notifying applicable borrowers of possible duplication of benefits
- assist County Offices with questions they may have about this notice
- contact PSD with any questions about this notice.

B County Office Action

County Offices shall:

- comply with the policy and procedures in this notice effective immediately
- inform FSFL applicants that grants and loans from RD or other Government agencies must be subtracted from the total cost of the structure or equipment before FSFL amount is computed
- handle the possible duplication of benefits as outlined in paragraph 5
- contact the State Office for guidance about the policy and procedure in this notice.