



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

December 18, 1981

SUBJECT: Crop Security Interest on Indian Trust Land

TO: All State Directors, District Directors,
and County Supervisors

An administrative law judge for the Department of the Interior recently ruled that a crop security agreement in favor of the FmHA for crops grown on leased Indian Trust Land was invalid. The judge found that the lease of the Indian Trust Land contained a clause requiring the Bureau of Indian Affairs' (BIA) approval of all crop mortgages and security interests. In this case the FmHA failed to obtain the BIA approval.

As a result of the judge's ruling we have determined that loans which will be secured by crops grown on leased or owned Indian Trust lands will not be approved until:

1. The BIA Superintendent approves the crop security agreement and financing statement in writing or,
2. In the case of a leasehold, the BIA Superintendent has advised the County Supervisor in writing that the lease does not require the BIA approval of the FmHA crop security interest.

State Directors in consultation with their Regional Attorney, Office of General Counsel (OGC) should revise their state loan closing instructions as appropriate.

Deight O. Calhoun
CHARLES W. SHUMAN
Administrator

EXPIRATION DATE: September 30, 1982

FILING INSTRUCTIONS: File Preceding
FmHA Instruction 1941-A