



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

March 27, 1985

**SUBJECT:** Establishing Interest Rates for FmHA Loans

**TO:** All State Directors, District Directors, County Supervisors  
and Assistant Administrator, Accounting and Director,  
Finance Office, FmHA

This AN replaces AN No. 1120 (440) dated December 18, 1984.

An inconsistency has been identified in the way FmHA establishes the interest rate for different types of loans. FmHA Instruction 1942-A provides that the interest rate for each community facility and water and waste disposal loan will be the rate in effect on the date the applicant is notified of loan approval. This should coincide with the date of obligation. FmHA regulations for farmer programs and housing loans are not specific as to when the interest rate will be established. Procedure notices communicating changes in interest rates for housing and farmer programs loans have generally indicated that loans approved before the date of the procedure notice could be closed using the interest rate in effect at the time of closing or the interest rate in effect at the time of obligation, whichever is lower.

We have been advised that there is no statutory basis for the policy of allowing a choice of the interest rate at approval/obligation or at closing. Therefore, all loans processed by the Finance Office after March 31, 1985, will bear interest at the rate in effect on the date the applicant was notified of approval subject to availability of funds. This interest rate will be entered in Block 26 of Form FmHA 1940-1, "Request for Obligation of Funds," at the time each loan is approved and the applicant notified. See FmHA Instruction 440.1, Exhibit A or Exhibit B for interest rates. For all programs except Community and Business Programs and Multiple Family Housing to nonprofit organizations and public bodies (which are subject to 6-day reservation of funds), the dates entered in Items 25, 43, and 44 of Form FmHA 1940-1 MUST be the SAME. For the programs subject to the 6-day reservation of funds, the approval/obligation/ notification process will remain unchanged. The FMI for Form FmHA 1940-1 is being revised to reflect that requirement.

The respective program instructions will be revised as needed to reflect this policy as other regulation changes are processed.

*Dwight O. Calhoun*

DWIGHT O. CALHOUN  
Acting Associate Administrator

EXPIRATION DATE: January 31, 1986

FILING INSTRUCTIONS: Preceding  
FmHA Instruction 440.1

"Sent by Electronic Mail on (date) March 27, 1985, at (time) 3:41 pm. by  
DASD (IMPS);" and

The State Director should advise other personnel as appropriate.



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