



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

May 31, 1985

SUBJECT: "Test for Credit Elsewhere" and Certification
Requirements for Insured Farmer Program Loans

TO: To All State Directors, Farmer Program Chiefs
District Directors and County Supervisors

Purpose/Intended Outcome: To clarify and emphasize strict interpretation of the "test for credit elsewhere" requirements for all farmer program loans. The laws governing Farmers Home Administration (FmHA) farmer program loans require all applicants to certify if they are able to secure other credit. As the demand for FmHA loan assistance increases, renewed emphasis must be placed on compliance with this basic loan eligibility requirement.

Implementation Responsibilities: Evidence that the applicant has met the "test for credit elsewhere" requirements must be documented in the case file for each initial and subsequent application. County Supervisors must be knowledgeable of local creditors' lending policies and application procedures. They must insure that applicants who are denied credit by commercial lenders are denied the same type of loan(s) requested from FmHA, and that these loans would have been at similar terms and with the same collateral available to FmHA for its proposed loans. Particular attention should be given to applications from partnerships, cooperatives, and corporations, to insure that the assets owned by both the entity and the individual members are considered when applying for other credit. Applicants should be made aware of the certification requirements in Item 23 of Form FHA 410-1, "Application for FHA Services".

District Directors will review loans in accordance with FmHA Instruction 2006-M, Section 2006.604 (c)(1), for compliance with the "test for credit elsewhere" requirements. Results of their findings will be reported to the State Director in accordance with FmHA Instruction 2006-M.

Dwight O. Calhoun
DWIGHT O. CALHOUN
Acting Associate Administrator

EXPIRATION DATE: May 31, 1986

Filing Instruction: Preceding FmHA
Instruction 1940-G



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