



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1482 (1941)

October 20, 1986

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SUBJECT: Off-Farm Income and Eligibility
for Farm Ownership (FO) and Operating (OL) Loans

TO: State Directors, State Directors-at-Large, Farmer Programs Chiefs,
District Directors and County Supervisors, FmHA

PURPOSE/INTENDED OUTCOME:

This AN is issued to clarify once again the intent of FmHA regulations pertaining to eligibility for FO and OL loans when applicants have off-farm income. Severe financial problems now being experienced in the agricultural sector have led to a significant reduction in farm-generated net income. As a result, many family farmers who depend on farming for a livelihood have been forced to seek off-farm income to continue meeting existing obligations, farm operating and family living expenses.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN No. 1279 (1941) which expired September 30, 1986.

IMPLEMENTATION RESPONSIBILITIES:

Some farmers who apply for FO and OL loans need significant off-farm income as a part of their total cash flow to maintain their farm business. The FmHA regulations relative to off-farm income are not intended to prevent making loans to such applicants. FmHA Instruction 1941-A, Operating Loan Policies, Procedures and Authorizations, Section 1941.12(a)(4)(i), FmHA Instruction 1943-A, Farm-Ownership Policies, Procedures and Authorizations, Section 1943.12(a)(4)(i), FmHA Instruction 1980-B, Guaranteed Loan Programs, Farmer Program Loans, Sections 1980.175(b)(1)(iv) and 1980.180(c)(1)(iv) specifically permit county committees, when considering off-farm income, to consider special family circumstances, such as size, health, and educational requirements.

When considering applicants who are farming and have significant off-farm income, it is necessary to evaluate the relationship of such income to the economic survival of the farm. However, regulations do not authorize nor should State offices or county committees establish a fixed amount (i.e., \$30,000/year maximum) that would be applied unilaterally to all applicants. Use of off-farm income, along with farm income, to pay farm debt installments, operating expenses, and family living expenses indicates that the off-farm income is essential for an applicant to have an overall income comparable to that considered reasonably adequate in that area.

EXPIRATION DATE: September 30, 1987

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1941-A



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There are some applicants who already have off-farm income that is typical of other reasonably successful residents in the area. They probably depend on the off-farm as their primary income source. They should not be considered eligible for FO and OL loans, unless the off-farm income will be reduced or ended not later than 3 full crop years after the loan is closed, as provided in FmHA regulations.

This AN should be discussed again with all county committees in their next regular meeting.

A handwritten signature in cursive script, appearing to read "Vance L. Clark". The signature is written in dark ink and is positioned above the typed name.

VANCE L. CLARK
Administrator