



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2047 (1951)

January 26, 1990

SUBJECT: Review of Limited Resource FO and OL Loans

TO: State Directors, District Directors
and County Supervisors

ATTN: Farmer Program Chiefs

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is issued to provide guidance in reviewing limited resource borrowers for changes in interest rate. The intended outcome is to ensure that limited resource rate increases do not interfere with borrower's ability to obtain credit from non-FmHA sources.

COMPARISON WITH PREVIOUS AN:

This AN replaces FmHA AN No. 1880 (1951) dated March 16, 1989, which expired December 31, 1989.

IMPLEMENTATION RESPONSIBILITIES:

FmHA Instruction 1951-A, Section 1951.25(b), states in part that when reviewing limited resource loans for potential increases in interest rates:

1. Each loan will be considered on its own merit.
2. The Farm and Home Plan projections for the coming year must show that the "balance available to pay debts" exceeds the amount needed to pay debts by at least 10 percent before an increase in interest rate is put into effect.

This does not require that the interest rate be increased automatically on all limited resource rate loans simply because the financial plan cash flows with a 10 percent margin; but it does allow the County Supervisor to use his/her discretion and increase the rate on one or more notes while leaving other notes at the limited resource rate.

EXPIRATION DATE: December 31, 1990

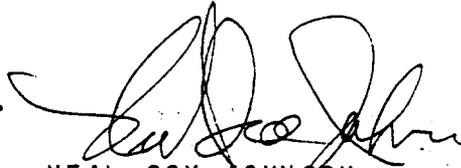
FILING INSTRUCTIONS
Preceding FmHA
Instruction 1951-A



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Department of Agriculture, Washington, D.C. 20250

An example of a situation where an increase in interest rate may not be warranted is the case of a limited resource borrower who is obtaining annual operating credit through another lender with an FmHA guarantee. To receive a guaranteed loan, the balance available must exceed the amount to be paid in Table K of the Farm and Home Plan by 10 percent. See FmHA Instruction 1980.106(b)(17). Thus, the receipt of a guaranteed operating loan should not automatically trigger an increase in the limited resource rate. The factors listed in FmHA Instruction 1951.25(b) must be considered in each case.

If you have any questions, please contact Ann Dill, FPLMD, at FTS 382-1186 or commercial (202) 382-1186.



NEAL SOX JOHNSON
Acting Administrator

Sent by Time Delay Option to States on 1/29/90 at 1:30 pm ;
to Districts on 1/29/90 at 3:30 pm ; and Counties on 1/30/90
at 8:30 am by ASD.