



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2290 (1940)

May 17, 1991

SUBJECT: Guidelines for the Proper Coding of Nonsubsidized Loan Making and Nonsubsidized Loan Servicing Funds

TO: State Directors, District Directors,
and County Supervisors

ATTENTION: Rural Housing Chiefs

PURPOSE/INTENDED OUTCOME:

This AN is to clarify how to properly code item 17 of FmHA Form 1940-1, "Request for Obligation of Funds" when making a Section 502 RH Nonsubsidized Loan. Whether the funds are used for loan making or loan servicing determines which code must be used. The intent is to correctly code Section 502 loan obligations.

COMPARISON WITH PREVIOUS AN:

No previous AN, however, the method of coding the use of Section 502 RH funds for the above purposes has changed.

IMPLEMENTATION RESPONSIBILITIES:

There are two types of designated reserve funds. They are Section 502 Nonsubsidized Funds (loan making) and Section 502 Nonsubsidized Funds (loan servicing). Starting this year, these two funds carry their own separate code.

Section 502 Nonsubsidized Funds (loan making) are for very low- and low-income applicants:

- (1) wishing to buy, build or repair houses currently not financed by FmHA;
- (2) who do not qualify for a subsidy on the loan because the loan amount is so small the formula does not work.

These loans are to be coded 010 in block number 17 of the 1940-1.

EXPIRATION DATE: March 31, 1992

FILING INSTRUCTION:
Preceding FmHA Instruction 1940-L



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Section 502 Nonsubsidized Funds (loan servicing) are for subsequent loans on properties currently financed with an FmHA RH loan. These subsequent loans are for very low-, low-, and moderate-income applicants/borrowers who do not qualify for interest credits. You may use these funds to make repairs, rehabilitate and/or pay equity in connection with a transfer. These loans are to be coded 011 in block number 16 of the FmHA Form 1940-1.

You should discontinue using code 001, which was the accepted code in past years. Since this is a change in coding from prior years, we request that you have the Program Review Assistants (PRAs) check with each county office and provide training as needed.

Please review all earlier FY 1991 cases for proper coding. If correct codes were not used, corrections should be made by using a 1-T transaction. Additional assistance may be obtained by contacting the Finance Office's Research and Reentry Section.



LA VERNE AUSMAN
Administrator