

For: State and County Offices

Determining Years of Farm Ownership (FO) Loan Eligibility

Approved by: Deputy Administrator, Farm Loan Programs

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1 Overview

A

Background

The Consolidated Farm and Rural Development Act, Section 302(b)(1)(C), imposes term limit requirements for direct FO loans. The limitation affects anyone who has signed a promissory note for a direct FO loan.

Note: The Agricultural Risk Protection Act of 2000 suspended operating loan (OL) term limits, but did not affect the FO limitation. Refer to Notice FLP-137 for additional guidance.

B

Purpose

This notice:

- obsoletes Notice FLP-188
- clarifies that loans must be approved before the expiration of the FO term limit
- clarifies the eligibility limitations for new applicants and existing borrowers who apply for direct FO loans after April 4, 1996
- reminds loan approval officials to notify borrowers of the limitation on direct FO loan eligibility.

C

Contact

If there are questions concerning this notice, State Office shall contact Pat Spalding, LMD at 202-720-1472.

Disposal Date

November 1, 2002

Distribution

State Offices; State Offices relay to County Offices

Notice FLP-193

2 Action

A New Borrowers

The following apply to applicants who have **never** received a direct FO loan.

- A borrower is limited to 10 years of eligibility beginning from the date the first direct FO loan is **closed**.
- Any subsequent direct FO loans must be **approved** during this 10-year window.

Example: A borrower closes a direct FO loan on February 10, 2001. If the loan is still outstanding on April 10, 2004, 3 years and 2 months of eligibility have been used. The borrower is eligible for additional direct FO loans until February 10, 2011.

B Existing Borrowers

The following apply to existing borrowers who have received direct FO loans.

- If, as of April 4, 1996, a borrower had direct FO loans outstanding for 5 or more years, regardless of the number of loans received or outstanding, the borrower is eligible for additional direct FO loans until April 4, 2001. Subsequent loans shall be approved no later than April 4, 2001.

Example: A borrower received a direct FO loan on February 20, 1989, and another on July 14, 1994. As of April 4, 1996, the borrower had direct FO loan indebtedness outstanding for 8 years (1989 through 1996). The borrower is eligible for additional direct FO loans until April 4, 2001.

- If, as of April 4, 1996, a borrower had direct FO loans outstanding for less than 5 years, regardless of the number of loans received or outstanding, the borrower is eligible for additional direct FO loans until April 4, 2006. Subsequent loans shall be approved no later than April 4, 2006.

Example: A borrower received a direct FO loan on June 28, 1994. As of April 4, 1996, the borrower had direct FO loan indebtedness outstanding for 3 years (1994 through 1996). The borrower is eligible for additional direct FO loans until April 4, 2006.

C Loan Approval Official Action

According to RD Instruction 1951-F, Section 1951.262(a), loan approval officials shall ensure that borrowers have been properly notified of their lifetime eligibility limitations and have been sent FSA Guide Letter 1951-F-8.
