

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

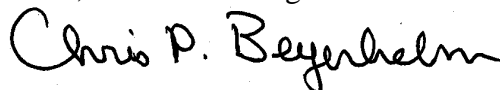
Notice FLP-667

1-FLP, 2-FLP, 3-FLP,
4-FLP, 5-FLP

For: State and County Offices

Implementing the Agricultural Act of 2014 (2014 Farm Bill)

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

The 2014 Farm Bill (Pub. L. 113-79), enacted February 7, 2014, made several revisions to CONACT. Some of these revisions impact FSA FLP in its loan making and servicing and are effective immediately.

B Purpose

This notice:

- provides guidance for implementing the following revisions:
 - guaranteed loan making:
 - increasing the percentage guarantee for guaranteed conservation loans (CL's)
 - eliminating guaranteed OL term limits
 - direct loan making:
 - changing interest rate for joint financing FO's
 - changing maximum loan amount for downpayment FO's
 - eliminating rural residency YL requirement
 - changing definition of acreage restrictions for beginning farmer
 - direct loan servicing:
 - eliminating the mineral rights appraisal requirement
 - YL debt forgiveness
- obsoletes Notice FLP-660.

FSA's regulations and FLP handbooks will be amended to incorporate these revisions. Regulations will be written to implement the remaining statutory changes included in the legislation.

Disposal Date	Distribution
October 1, 2014 2-28-14	State Offices; State Offices relay to County Offices

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1 Overview (Continued)

C Contacts

If there are questions about this notice, County Offices shall contact the State Office. State Offices shall, for:

- guaranteed loan making questions, contact Bradley Johnson by either of the following:
 - e-mail at **bradley.a.johnson@wdc.usda.gov**
 - telephone at 202-720-5847
- direct loan making questions, contact Carrie Novak by either of the following:
 - e-mail at **carrie.novak@wdc.usda.gov**
 - telephone at 202-720-1643
- direct loan servicing questions, contact Mike Cumpton by either of the following:
 - e-mail to **mike.cumpton@wdc.usda.gov**
 - telephone at 202-690-4014.

2 Guaranteed CL's

A Increase in Percent of Guarantee

The percent of guarantee shall now be:

- 80 percent of the principal loan amount, **except** loans to beginning and SDA farmers and ranchers
- 90 percent of the principal loan amount for loans to beginning and SDA farmers and ranchers.

Note FSA officials shall guarantee all CL's at 80 or 90 percent, as applicable.

B Obligating CL's

GLS currently limits the percent of guarantee for CL's to 75 percent. GLS modifications to allow CL's to be obligated at an 80 or 90 percent guarantee are in development.

Note: County Offices, through the State Office, shall contact Bradley Johnson, by e-mail at **bradley.a.johnson@wdc.usda.gov** or telephone at 202-720-5847, for guidance on obligating CL's until GLS modifications are complete.

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3 Guaranteed OL Term Limits

A Removal of Guaranteed OL Term Limits

Guaranteed OL applicants are no longer limited to no more than 15 years of financing through FSA's direct and/or guaranteed OL programs.

B Borrower Notification

County Offices shall notify all active OL borrowers who did not have any years of guaranteed OL eligibility remaining that guaranteed OL term limits have been removed from CONACT. Exhibit 1 shall be provided to these borrowers. A copy of Exhibit 1 will be maintained in the borrower's case file.

Exhibit 1 may be found on the FFAS Employee Forms/Publications Online web site at <http://fsaintranet.sc.egov.usda.gov/dam/ffasforms/forms.html>. CLICK "**Find Current Forms Using Our Form Number Search**". In "Form Number" block, ENTER "**Notice FLP-667**" and CLICK "**Submit**".

C Lender Notification

State Offices shall ensure that all active guaranteed lenders, other than multi-State Preferred Lender Program lenders, are notified that guaranteed OL term limits have been removed from CONACT. Exhibit 2 shall be provided to these lenders.

Exhibit 2 may be found on the FFAS Employee Forms/Publications Online web site at <http://fsaintranet.sc.egov.usda.gov/dam/ffasforms/forms.html>. CLICK "**Find Current Forms Using Our Form Number Search**". In "Form Number" block, ENTER "**Notice FLP-667**", and CLICK "**Submit**".

Note: Exhibit 2 may be provided by State, District, or County Offices. State Offices shall ensure that lenders do not receive multiple notification letters.

A copy of Exhibit 2 will be maintained in the lender's operational file.

D Term Limit Report

Effective March 15, 2014, the guaranteed OL term limit report in the FLP Data Mart will no longer be available.

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4 Changes in FO's

A Determining Joint Financing Interest Rate for FO's

If FO is part of a joint financing arrangement and the amount of FSA's loan does not exceed 50 percent of the total amount financed, the interest rate charged by FSA will be the greater of the following:

- current interest rate for direct FO's minus 2 percent
- 2.5 percent.

The applicable interest rate will be published monthly in 1-FLP.

Example: As of February 1, 2014, FO interest rate is 4.25 percent. The current interest rate minus 2 percent is 2.25 percent. Therefore, a joint financing loan approved in February 2014 will have an interest rate of 2.5 percent because that is the greater of the 2 rates.

Note: County Offices, through the State Office, shall contact either of the following in the Direct Loans and Funds Management Branch, for guidance on obligating a joint financing FO, until modifications to DLS are complete:

- Carrie Novak by either of the following:
 - e-mail at carrie.novak@wdc.usda.gov
 - telephone at 202-720-1643
- Sandra Hammond by either of the following:
 - e-mail at sandra.hammond@wdc.usda.gov
 - telephone at 202-720-1647.

B Maximum Downpayment FO's

Downpayment FO's will not exceed 45 percent of the lesser of the following:

- purchase price
- appraised value of the farm to be acquired
- \$667,000.

Note: The total amount of a downpayment FO's will not exceed \$300,000.

5 Acreage Restrictions for Beginning Farmer

A Modification of Acreage Ownership Limitation

The applicant must not own more than 30 percent of the average size farm, in the county where the farm is located, as established under the beginning farmer definition at the time of the application. The applicant may exceed the 30 percent after the loan is closed. All handbook references to median will be replaced with the term average with respect to farm size for beginning farmers.

Average farm size does **not** apply to SDA applicants.

B State Supplement

The average farm acreage and 30 percent of the average acreage shall be published in a new State supplement. The 30 percent of the average acreage will be rounded to the closest tenth of a percent.

6 Mineral Rights Appraisal Requirement

A Appraisal of Mineral Interest

It is no longer required that the value of oil, gas, or other minerals be included in the appraised value of the security collateral for FSA to have a valid security interest in those products. This change is not retroactive and does not affect loans made under past regulations. For all loans secured by real estate and made after February 7, 2014, FSA should take a security interest in oil, gas, or other minerals on or under the property regardless of whether the value of those products was included in the appraisal.

7 YL Changes

A Removal of YL Rural Residence Requirement

The 2014 Farm Bill removed the youth rural residence requirement.

Note: The National Office will inform national chapters of youth organizations, such as Future Farmers of America and 4-H, of the availability of YL's to all youth, regardless of population. A new fact sheet will be developed and the YL web site will be revised.

State Offices shall inform local youth organizations of these changes.

B YL Debt Forgiveness

Forgiveness of YL debt because of circumstances beyond the borrower's control will no longer preclude the borrower from obtaining additional loans from any U.S. Government Agency.

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7 YL Changes (Continued)

C Criteria for Circumstances Beyond the Borrower's Control

The criteria for determining if the forgiveness was beyond the borrower's control are the same criteria used in 5-FLP, subparagraph 102 D and 7 CFR 766.104(a)(1). Any borrower who met those criteria when YL debt was settled cannot be denied loan assistance based on debt forgiveness of an YL debt. Debt that was forgiven on any other type of loan, even with the same borrower, is still considered according to the statute (7 U.S.C. 2008h) and present regulations (7 CFR 764.101(d)(1)) and can affect loan eligibility.

D Past Debt Forgiveness on YL's

Additionally, to address any possible inquiries, past debt forgiveness on YL's or an existing YL delinquency do not preclude the borrower from receiving direct or guaranteed student loans.

Any borrowers that receives debt forgiveness on YL's or request information from FSA to provide any creditor shall be provided Exhibit 3 by mail or in person.

E Servicing Associated With YL's

All servicing associated with YL's, including PLS, TOP, cross-servicing, acceleration, foreclosure, debt settlement, and the 1 debt forgiveness limit on direct FLP loans is not affected by the 2014 Farm Bill and will proceed according to current handbooks.

Notification Letter to Guaranteed Borrowers

The following letter shall be mailed to all active guaranteed OL borrowers who had 0 years of guaranteed OL eligibility remaining.

Notice FLP-667, Exhibit 1

[Use Agency Letterhead format with local return address]

RE: Removal of Guaranteed Operating Loan Limit

Dear *[Borrower's Name]*:

The Farm Service Agency (FSA) appreciates the opportunity to work with you and your lender in obtaining credit. In the past you were notified of the Guaranteed Operating Loan Program's term limit requirements, including years of eligibility you had remaining.

The Agricultural Act of 2014 (Pub. L. 113-79) amended FSA's governing statute and removed the Guaranteed Operating Loan Program term limit requirements. Therefore, you are no longer limited to no more than 15 years of financing through FSA's direct and/or guaranteed Operating Loan Programs.

If you have any questions, please contact your local FSA County Office.

Sincerely,

[Name of Employee]

[Title of Employee]

Notification Letter to Guaranteed Lenders

The following letter shall be mailed to all active guaranteed lenders.

Notice FLP-667, Exhibit 2

[Use Agency Letterhead format with local return address]

RE: Removal of Guaranteed Operating Loan Term Limit and Increase in Conservation Loan Percentage of Guarantee

Dear *[Lender's Name]*:

The Farm Service Agency (FSA) appreciates your participation in the Guaranteed Loan Program. In the past you may have been notified of the Guaranteed Operating Loan Program's term limit requirements, including years of eligibility remaining for one or more of your guaranteed loan borrowers.

The Agricultural Act of 2014 (Pub. L. 113-79) amended FSA's governing statute and removed the Guaranteed Operating Loan Program term limit requirements. Therefore, guaranteed borrowers are no longer limited to 15 years of financial assistance through FSA's direct and/or guaranteed Operating Loan Programs.

In addition, the percent of guarantee for Conservation Loans increased. Instead of a 75 percent guarantee, Conservation Loans will now receive an 80 percent guarantee and Conservation Loans to beginning and socially disadvantaged farmers and ranchers will receive a 90 percent guarantee.

If you have any questions, please contact your local FSA County Office.

Sincerely,

[Name of Employee]
[Title of Employee]

Notification Letter to YL Lenders

The following letter shall be mailed to all YL debt forgiveness recipients.

Notice FLP-667, Exhibit 3

[Use Agency Letterhead format with local return address]

RE: Youth Loan (YL) Debt Forgiveness

Dear *[Lender's Name]*:

You are receiving this information because you have recently had debt forgiven on a YL that you received from the Farm Service Agency. Under the Agricultural Act of 2014 (Pub. L. 113-79), Federal law states that if you receive debt forgiveness on a YL for circumstances beyond your control, that debt forgiveness cannot be used by any Federal agency in determining your eligibility for any loan made or guaranteed by that agency. Further, the Act stated that delinquency on a YL or debt forgiveness of an YL does not make you ineligible for loans or loan guarantees from the Federal Government to pay for education expenses. Debt that was forgiven or a delinquency on any other type of FSA loan can still affect loan eligibility at FSA and other Federal Agencies. You should keep this document to present to the Department of Education or any other Federal Agency if you need to apply for Federal credit in the future. The relevant statutory text is included below.

Text of Agricultural Act of 2014:

Section 311(b)(5) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1941(b)(5)) now states:

“(5) **EQUITABLE CONSIDERATIONS FOR DEFAULT.**—

(A) **DEBT FORGIVENESS.**—

(i) **IN GENERAL.**—The Secretary may, on a case-by-case basis, provide debt forgiveness to a borrower for a loan made under this subsection if the borrower was unable to timely repay the loan due to circumstances beyond the control of the borrower, as determined by the Secretary, including any natural disaster, act of terrorism, or other man-made disaster that results in an inordinate level of damage or disruption severely affecting the borrower.

(ii) **ELIGIBILITY FOR FUTURE LOANS.**—Notwithstanding any other provision of law, debt forgiveness provided under this subparagraph shall not be used by any Federal agency in determining the eligibility of the borrower for any loan made or guaranteed by the agency.

(B) **EDUCATION LOANS.**—Notwithstanding any other provision of law, if a borrower becomes delinquent or is provided with debt forgiveness with respect to a youth loan made under this subsection, the borrower shall not become ineligible, as a result of the delinquency or debt forgiveness, to receive loans and loan guarantees from the Federal Government to pay for education expenses of the borrower.”