



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 911 (1962)

October 3, 1983

SUBJECT: Subordination of FmHA
Farmer Program Loan Security

TO: All State Directors, District Directors
and County Supervisors

Notice: This AN updates and replaces AN No. 606 (1962) which expired September 30, 1982, and was extended by AN No. 756 to December 31, 1983.

The primary objective of Farmers Home Administration (FmHA) farmer program loans is to assist eligible farmers to conduct successful operations. It appears that, due to continuing unfavorable economic and adverse weather conditions affecting FmHA borrowers, a high percentage of our farmer program loan borrowers will need additional FmHA assistance for 1984.

Nationally, the demand for FmHA farm loans may substantially exceed the funds authorized for fiscal year 1984. The available funds must be used to the maximum extent possible to supplement credit from other sources. In addition, we must reduce the impact of Government lending on the economy and use other credit sources whenever possible. This can be accomplished by subordinating FmHA security to assist indebted OL, EE and EM borrowers who have a sound basis for receiving subsequent loans to obtain the credit they need for the 1984 crop year from other sources. We recognize that some borrowers may not qualify for subsequent loans but have a reasonable chance for success and a sound basis exists for the extension of additional credit. Such borrowers may include, but are not limited to, those who no longer qualify for subsequent emergency loan assistance or borrowers who have reached the statutory operating loan limit. These borrowers may be assisted by FmHA only through our subordination authorities. Subordinations will not be approved where there is not a sound basis for additional credit or a reasonable chance for success.

It is the responsibility of the State Directors, District Directors and County Supervisors to fully inform other lenders of FmHA policy on subordinations and to encourage their participation. The plan developed for each borrower, who must have operating type credit for 1984, will be used by the borrower in contacting other credit sources in an effort to obtain the required financing. The other lenders must understand that FmHA can subordinate to the extent necessary for the loan to be made. Also that such loans will be used only for purposes set forth in the approved plan and listed on the subordination. FmHA security, including real estate, may be subordinated, except that security for Farm Ownership, Recreation and Soil and Water loans will not be subordinated for operating expenses.

EXPIRATION DATE: September 30, 1984

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1962-A



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

Many borrowers eligible for subsequent loans will not be able to obtain the credit they need from other sources through subordination. These borrowers should be advised by letter that applications for 1984 credit should be filed at the earliest possible date to establish a processing priority.

When determined necessary, the approval official may require a supervised bank account to control the use of the loan funds obtained through subordinations. Obviously, lenders must be advised in advance and understand the requirements when a supervised account will be used.

Borrowers who receive subordinations will be supervised in accordance with AN 847 (1962), "Monitoring, Servicing and Supervision of FmHA Farm Borrowers Who Receive an FmHA Subordination for Other Credit", dated May 17, 1983, or any subsequent updated replacement thereof.



CHARLES W. SHUMAN
Administrator

To be sent by electronic mail dated October 3, 1983 at 4:01 p.m. by DASD(IMPS).
A copy of this communication will be distributed by the Finance Office to all District and County Offices.