



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 1058(1951)

August 7, 1984

- SUBJECT: Audit of Limited Resource Farm Ownership  
and Operating Loans
  
- TO: All State Directors, District Directors,  
County Supervisors and Assistant Administrator Accounting  
and Director, Finance Office, FmHA

Recent audits completed by the Office of Inspector General have revealed deficiencies in the servicing of FO and OL limited resource loans.

FmHA Instruction 1951-A, Section 1951.25 provides that, even though interest rate increases are required, the county office is responsible for initiating the increase by completing Form FmHA 1951-4, "Change in Rates and Terms," and sending it to the Finance Office 30 days prior to the effective date of the change. The Finance Office sends a limited resource report (Form FmHA 389-600) to county offices quarterly. The report lists limited resource loans to be reviewed during the next 6 months. The Finance Office does not have a system to determine whether the review has been carried out, or a method to reclassify a limited resource loan to a regular loan upon reaching the regular rate of interest.

Letters were mailed to State Directors requesting a review and report of findings on all loans identified in audits as having incorrect interest rates in effect on 3 and 4 percent LR-FO loans.

All State Directors must take the following actions:

1. Request all District Directors and Program Review assistants to review limited resource interest rates during their routine county office visits.
2. Insure that all Program Reviews include the verification of the proper limited resource interest rates.
3. Request State and District Office personnel to review AN No. 951(465) dated December 28, 1983, "Review of Interest Rate Assigned to Reamortized and/or Assumption of Regular and Limited Resource Farm Ownership Loans," and provide training to county office employees who demonstrate insufficient knowledge in the servicing of limited resource interest loans.

CHARLES W. SHUMAN  
Administrator

EXPIRATION DATE: March 31, 1985

FILING INSTRUCTIONS: Preceding FmHA  
Instruction 1951-A



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