

For: State and County Offices

Using Disaster Set-Aside (DSA)

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

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Background

The DSA program was first made available on October 21, 1994, because of the heavy flooding in the Midwest and extreme drought in the South.

Presently, approximately 20 percent of the Farm Loan Program borrowers have set-asides of approximately \$195 million of which over \$100 million is principal and is accruing interest. Almost 7,800 borrowers were added between February 1, 1999, and September 1, 1999.

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Purpose

This notice provides additional guidance on the proper use of DSA.

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Contact

State Offices shall direct questions to Michael Cumpton, LSPMD, at 202-690-4014.

<p>Disposal Date</p> <p>January 1, 2001</p>	<p>Distribution</p> <p>State Offices; State Offices relay to County Offices</p>
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Notice FLP-99

2 Uses of DSA

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Acceptable Uses

FmHA Instruction 1951-T, sections 1951.952 and 1951.954(a)(5) clearly state that DSA may be used to relieve financial stress on borrowers who have been directly and adversely affected by declared disasters.

It allows borrowers who are distressed, or less than 1 year delinquent, to recover and continue making payments on their debt.

B

Unacceptable Uses

DSA is not intended to replace FmHA Instruction 1951-S loan servicing and, as noted in FmHA Instruction 1951-T, section 1951.957(a)(2), should not be used when an operation has repeatedly proven unable to make the payments currently scheduled.

In those cases, use Primary Loan Servicing according to FmHA Instruction 1951-S to attempt to structure the debt in a way it can be serviced.

The use of DSA to delay 1951-S loan servicing on cases in which it appears to be inevitable, is not authorized and conflicts with FmHA Instruction 1951-S, section 1951.901, which makes Primary and Preservation Loan Servicing the primary method to resolve delinquency.
