

Cancelled 11/16/85 3-86



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1296 (465)

November 12, 1985

SUBJECT: Termination of FmHA's Participation in the
Memorandum of Understanding and Blanket Consent
and Subordination Agreement Between Commodity Credit
Corporation and Farmers Home Administration

TO: State Directors, District Directors,
and County Supervisors

PURPOSE/INTENDED OUTCOME

The purpose of this AN is to advise you that FmHA has terminated,
effective November 2, 1985, its participation in the above subject
memorandum.

IMPLEMENTATION RESPONSIBILITIES

It has come to our attention recently that the above subject memorandum
is still active in the Agricultural Stabilization and Conservation
Service (ASCS) National Office files and being used by their local field
offices.

The Memorandum of Understanding was deleted from FmHA Instruction 465.1
when it was revised in 1975; however, the ASCS did not receive formal
notification of the termination of our participation in the memorandum.
The ASCS Administrator was notified on October 4, 1985, that FmHA was
formally terminating its participation in the memorandum.

If the above subject memorandum is presented by ASCS local officials to
FmHA County Supervisors in future cases involving FmHA's security
position, they should be advised that FmHA participation in the
memorandum has been terminated. We are attaching a copy of the
Memorandum of Understanding and our letter to the Administrator of ASCS
for your information.

Vance L. Clark
VANCE L. CLARK
Administrator

Attachments

EXPIRATION DATE: October 31, 1986

FILING INSTRUCTION: Preceding
FmHA Instruction 465.1



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

1296(465)



United States
Department of
Agriculture

Commodity
Credit
Corporation

P.O. Box 2415
Washington, D.C.
20013

OCT 24 1985

SUBJECT: Memorandum of Understanding and Blanket Consent and Subordination Agreement Between Commodity Credit Corporation and Farmers Home Administration (Your October 4 Memorandum)

TO : Administrator, FmHA

This is to acknowledge your memorandum of October 4 in which you expressed your wish to terminate the subject agreement. Under the terms of the agreement:

1. We will consider the agreement terminated as of November 2, 1985, with respect to new loans that would be made after that date.
2. Any active facility loans made between May 2, 1969, and November 2, 1985, are not affected by the termination, nor will those loans be affected during their lifespan.

We will notify our State and county ASCS offices accordingly.

Earle J. Bedenbaugh

Acting Executive Vice President,
Commodity Credit Corporation

#7188
10/28/85

1296(465)
OCT 4 1985

SUBJECT: Memorandum of Understanding and Blanket Consent and
Subordination Agreement Between Commodity Credit
~~Association~~ and Farmers Home Administration
Corporation

TO: Everett Rank
Administrator
Agricultural Stabilization
and Conservation Service

It has come to our attention recently that the above subject memorandum is still active in your files and being used by your local field office officials.

The subject memorandum was deleted from FmHA Instruction 465.1 when it was last revised in 1975. The deletion was discussed and agreed upon by National Office ASCS officials and FmHA. However, there was never a formal written notification given to ASCS.

The memorandum was executed in April and May 1969 by ASCS and FmHA National Office Administrators. Since the memorandum has not been updated and is in conflict with our existing servicing regulations pertaining to lien position on storage facilities and grain bins purchased by CCC, we are terminating our participation in accordance with paragraph 4 in the attached memorandum.

We will notify our FmHA County Offices by an Administrative Notice that we are terminating our participation in the memorandum.

/S/ HARRIS D. BLAKE


VANCE L. CLARK
Administrator

Attachment

cc:
FREPD
FREPD-Jones ✓
FREPD-Reader File

MEMORANDUM OF UNDERSTANDING AND BLANKET CONSENT AND
SUBORDINATION AGREEMENT BETWEEN
COMMODITY CREDIT CORPORATION AND FARMERS HOME ADMINISTRATION

WHEREAS, the Commodity Credit Corporation (hereinafter called "CCC") makes loans under its Farm Storage and Drying Equipment Loan Program for the purchase, construction, erection, remodeling, or installation of either farm storage or drying equipment or both, and requires that such loans be secured under applicable State law by sole or paramount lien; and

WHEREAS, FmHA makes loans to producers which are secured in whole or in part by real estate or chattel security, or both; and

WHEREAS, in some instances FmHA acquires a security interest in or lien on farm storage or drying equipment by virtue of its financing statement and security agreement or real estate mortgage which will take priority over the CCC security interest; and

WHEREAS, both CCC and FmHA desire to make loans available to producers under their respective programs without unduly impairing or undermining their respective security interests; and

WHEREAS, it is desirable to enter into a blanket consent and subordination agreement between CCC and FmHA in lieu of procuring an individual consent and subordination agreement in each instance, thus saving time and expense for both the parties hereto and avoiding undue inconvenience to borrowers;

NOW, THEREFORE, it is mutually agreed by and between CCC and FmHA that:

- 1 Except as hereafter provided, whenever CCC makes a loan under its Farm Storage and Drying Equipment Loan Program which is required to be secured by the sole or paramount lien on the collateral therefor, and an FmHA security interest in or real estate lien on the collateral would take priority over the CCC security interest, the FmHA security interest in or real estate lien on such collateral will be and hereby is made subordinate to the rights and interests which CCC has or will obtain therein. This agreement is applicable only to the collateral provided for under the regulations governing such Program as of the date hereof. This agreement is not applicable when (1) an FmHA loan to the borrower is in default and is in the process of liquidation at the time the CCC loan is made, or (2) a third party security interest or lien intervenes between the FmHA security interest or lien and the CCC security interest.

- 2 Upon default of the borrower, CCC may take possession of and enforce its security interest in such collateral in accordance with applicable State law and the security agreement between CCC and the borrower: Provided, however, That if FmHA has an encumbrance on the real estate, CCC will reimburse FmHA for the cost of repair of any physical injury to the real estate caused by the removal of the collateral; and Provided further, That if the collateral is sold by CCC it will pay to FmHA, to the extent of its subordinate security interest, any amount received in excess of (1) the expenses of retaking, holding, preparing for sale, selling and the like, and for payment of reasonable attorneys' fees and legal expenses incurred by CCC, and (2) the amount necessary to satisfy CCC's security interest in such collateral.

- 3 Upon the full repayment or satisfaction of the CCC loan secured by such collateral, the security interest or real estate lien of FmHA in such collateral or the proceeds of the collateral will continue in existence and will be restored to its original priority and not contained in this Memorandum of Understanding shall be construed to affect the rights and obligations of the parties to the FmHA loan transaction except as specifically provided herein.

- 4 This agreement may be terminated by either party on thirty days written notice to the other party, but such termination shall not affect any loans made during the life of this agreement.

COMMODITY CREDIT CORPORATION

By:

/s/ Carrol G. Brunthaver
Acting Executive Vice President,
Commodity Credit Corporation

May 2, 1969
Date

FARMERS HOME ADMINISTRATION

By:

/s/ Joseph Haspray
Administrator
Farmers Home Administration

April 29, 1969
Date