



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

July 22, 1986

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SUBJECT: Forest Service Grazing Permits

TO: All FmHA State Directors, State Directors-at-Large
Farmer Program Chiefs, District Directors,
and County Supervisors

Purpose/Intended Outcome:

The purpose of this AN is to provide guidance to Farmers Home Administration (FmHA) field offices with regards to Forest Service (FS) escrow waivers; and executing FS Interim Directive No. 39 concerning FS grazing permit privileges on Farmer Program (FP) inventory property. The intended outcome is: (1) to insure FmHA inventory property with FS grazing permits are sold within 3 years from the time property is taken into government inventory, and (2) to execute FS Interim Directive No. 39 to give FmHA the right to lease inventory property with FS grazing permits.

Comparison With Previous AN:

No Previous AN has been issued on this subject.

Implementation Responsibilities:

FmHA has been approving loans to purchase and/or refinance ranching operations, which include a house, a limited number of storage buildings, on small land tracts (normally no more than 160 acres) known as headquarter units or ranches. Such ranches were appraised to include a contributory value for FS grazing permits, which FmHA accepted and claimed a security interest on loans approved.

For the past several months, the FmHA has been working with the FS to develop policies concerning FS grazing permits. These efforts became necessary when FmHA claimed security interest in FS grazing permits and the FS refused to recognize the FmHA security interests (as a junior mortgage holder) on the base property. Only first mortgage holders could obtain FS escrow waivers. The FS would not allow FmHA to include grazing permits when FmHA wanted to lease the headquarter units in government inventory. However, the FmHA and FS have resolved the above issues.

The FS has amended its escrow waiver form by adding a space for a second mortgage holder, if it is a federal agency. Furthermore, the FS has issued Interim Directive No. 39 (attached), giving priority and a 3-year temporary grazing permit to lessees of headquarter units held in FmHA inventory. The 3-year period appears to be the maximum time the FS will give the lessee the right to retain a temporary FS grazing permit.

EXPIRATION DATE: June 30, 1987

FILING INSTRUCTIONS:
Preceding FmHA Instruction 1955-C



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1447(1955)

When FmHA forecloses on a grazing permit holder where an escrow waiver is in effect, the FS has requested that FmHA contact the District Ranger involved with the administration of the grazing permit. Also, when FmHA leases the headquarter unit, the FS has requested FmHA to notify the District Ranger.

When FmHA leases the headquarter unit, the lessee will need to provide the District Ranger with a copy of the lease at the time the lessee submits an application for a temporary permit. The FS has informed FmHA that a lease with FmHA will not be honored if it purports to assign or sublease the grazing permit to the lessee.

All States must comply with FS Interim Directive No. 39 and sell FP inventory property involved with FS grazing permits before the 3-year period expires, except where such sales would depress the market value as set forth in FmHA Instruction 1955.109(a). Care should also be taken when leases with options to purchase, entered into under FmHA Instruction 1955.66(g), to insure that the period to exercise the option and complete the purchase does not exceed the 3-year period for the FS grazing permit.



VANCE L. CLARK
Administrator

Attachment

1447(1955)

2232.03

FOREST SERVICE MANUAL
Washington, DC

INTERIM DIRECTIVE NO: 39

January 16, 1986

DURATION: One year from issuance date unless previously
terminated or reissued

CHAPTER: 2230 - Grazing and Livestock use Permit System

POSTING NOTICE: Last ID was No. 38 to FSM 2230, dated 2/1/85.

This Interim Directive provides for establishing special upper limits for private lending institutions where market conditions preclude the disposal of base property and the lender chooses to operate the base property and fill the term permit in the interim. It also establishes requirements for issuing temporary grazing permits to lessess of base properties held by the Farmers Home Administration (FmHA), U.S. Department of Agriculture.

2231.82a - Establishment of Special Limits. (5) To allow private lending institutions to operate base properties that they repossess, or that were forfeited, on an interim basis. The special limit shall be issued for a specified period based on anticipated local market conditions. If real estate market conditions warrant, the period for the special limit may be extended.

2232.03 - Policy

5. Lessess of base property held by FmHA shall be given priority, for a 3-year period, for a temporary grazing permit. Such a temporary permit will be for the use of forage normally covered by the term grazing permit where an escrow waiver is in effect.

A copy of the lease with FmHA must be submitted with the permit application. Leases purporting to assign or sublease the grazing permit to the lessee will not be honored.

J. LAMAR BEASLEY
Deputy Chief