

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
100 USDA, Suite 102
Stillwater, Oklahoma 74074-2653

OK Notice FLP-347

For: County Offices

Guaranteed Interest Accrual Methods

Approved by: State Executive Director



1 OVERVIEW

A

Background

National Notice FLP 233 states the lender will use the method (360, 365, or 360/365) indicated by the promissory note for calculating interest for the borrower. Some methods result in a slightly higher interest payment by the borrower; however, this is irrelevant to the amount FSA is allowed to pay, which is fixed by law at 4 percent. If a lender indicated a 360/365 accrual method, in the promissory note, 365 will be placed in RD 1980-19, item 28 or RD 1980-47, item 10, and interest will be paid on a straight 365-calendar basis.

B

Purpose

This notice provides clarification of interest accrual methods, with respect to Interest Assistance (IA) Guaranteed loans.

C

Contact

Direct any questions concerning this notice to Patty Wanger at (405) 742-1052 in the State Office.

D

Filing Instructions

This notice should be filed with the FLP series Notices.

<p>Disposal Date</p> <p>Indefinite</p>	<p>Distribution</p> <p>Farm Loan Program Teams, County Offices, DD's, COR's</p>
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2 ACTION

A

County Office Action

Farm Loan Teams shall:

- Ensure that all claims are supported by detail calculations of average daily principal balance (APB) during the claim period using the correct interest accrual method.

B

Calculation of Average Principal Balance and the Interest Payable Amount

FSA pays the 4% IA subsidy based on the average principal balance (APB). The APB on a loan is calculated by multiplying the principal balance times the number of days outstanding. The sum is then divided by the total number of days.

IA subsidy = APB times 4% divided by 360 or 365 times number of days between beginning and ending claim period. See OK Notice FLP-322 for examples of a 360/360 and a 365/365 basis calculation.

NOTE: If the lender charges interest on a 360-day basis, then each month is considered to have 30 days and there are only 360 days in a year. An interest assistance claim submitted with interest accrual based on a 360 and then multiplied by a 365 is not acceptable.

C

Notice to Lenders

Farm Loan Managers are to ensure that **ALL** lenders are using the correct interest accrual methods according to the promissory note. For loans with Interest Assistance that have a 360 basis, ensure that the lender is calculating the IA claims correctly. A copy of OK Notice FLP-347 is available on the Oklahoma State FSA web site at www.fsa.usda.gov/ok/ and is accessible to the public.