

**UNITED STATES DEPARTMENT OF AGRICULTURE**  
Farm Service Agency  
100 USDA, Suite 102  
Stillwater, Oklahoma 74074-2653

**OK Notice FLP-440**

**For:** County Offices

**2-FLP**

**Guaranteed Interest Accrual Methods**

Approved by: State Executive Director



**1 Overview**

**A Background**

This notice replaces OK Notice FLP-347 issued April 3, 2002.

National Notice FLP 296 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 Oklahoma State Office.

**D Filing Instructions**

This notice should be filed with the FLP series Notices.

<b>Disposal Date</b>  October 1, 2004	<b>Distribution</b>  Farm Loan Program Teams, County Offices, DD's, COR's
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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-434 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-440 is available on the Oklahoma State FSA web site at [www.fsa.usda.gov/ok/](http://www.fsa.usda.gov/ok/) and is accessible to the public.