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

OK Notice FLP-486

For: County Offices

2-FLP

Interest Assistance NOT FILED WITHIN 1 YEAR

Approved by: State Executive Director

Jim Reese

1 Overview

A Background

This notice replaces OK Notice FLP-335 issued October 27, 2003.

2-FLP Handbook, Par. 228 E, Rules for Interest Assistance (IA) states: "...To permit the borrower to prepare for the upcoming year, a claim should be filed within 60 days of each anniversary date. Claims not filed with 1 year will not be paid and the amount due the lender permanently forfeited."

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B Purpose

This Notice provides specific information and guidance on how to service Interest Assistance claims NOT FILED WITHIN 9 MONTHS of the annual review/anniversary date.

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.

Disposal Date	Distribution
October 1, 2005	Farm Loan ProgramTeams, County Offices, DD's, COR's

2 ACTION

A National Office Clarification

2-FLP Handbook, Par. 228 E, "Rules for IA Claims," states:

"...Claims not filed within 1 year will not be paid and the amount due the lender permanently forfeited."

National Office has clarified that this means that only the amount of interest assistance subsidy owed the lender for the current claim period could be cancelled. FSA-1980-64, "Interest Assistance Agreement," will remain in effect with zero (0%) interest assist approved/established for the next claim period.

B Notification

See 2-FLP Handbook, Par. 228 (7CFR 762.150) for all of the annual review requirements for IA payment or continuation requests. The County Office will provide the following minimum notification requirements to all lenders (SEL, CLP, and PLP) that have not filed and/or provided the required IA renewal information within 9 months of the annual review date:

1. **1st Notice** – Within 60-90 days of the 1-year IA expiration, send a letter to both the lender and borrower by regular mail. The letter must address in detail what information is still required in order for the Agency to process the IA claim.
2. **2nd Notice** – At least 30 days prior to the 1-year IA expiration, send a second letter to both the lender and borrower by regular mail. The letter must address in detail what information is still required in order for the Agency to process the IA claim. Remind them that this is the final notice before cancellation for the 4 % interest assistance subsidy owed for the claim period mm/dd/yr to mm/dd/yr or that the loan will be ineligible for interest assistance with 0 % established for the next claim period mm/dd/yr to mm/dd/yr.
3. **Final Notice** – If the IA requirements of 2-FLP Par. 228 have not been fully complied with, notify the lender and borrower, by regular mail, that the 4 % interest assistance subsidy owed for the claim period mm/dd/yr to mm/dd/yr has been cancelled/denied and/or that the loan will be ineligible for interest assistance with 0 % established for the next claim period mm/dd/yr to mm/dd/yr. This letter must address the specific reasons for the decision, with appeal rights, as per 1-APP Handbook.

   Send a copy of the cancellation/final notice to the Guaranteed FLP Section in the State Office. **NOTE**: Form 1980-64, "Interest Assistance Agreement," is loan specific and all guaranteed loan(s) affected by the IA cancellation/denial notice must be addressed in the letter.

C GLS Processing FSA-1980-24

Interest Assistance (IA) claims not filed by the lender within 1-year of the annual review/anniversary date will be handled as follows:

Form FSA 1980-24 will be processed through GLS with a:

- Zero ($0.00) payment (lender fault) or pay the amount owed (borrower fault) shown in Block # 12-Interest Payable for the current claim period shown in Block # 8 and # 9.
- Zero (0%) percent interest assistance subsidy established in Block # 21-Percent of Assistance Requested for Next Period.

D Lender Forfeiture of Interest Assistance Payments – Lender Fault

If the fault of the lender, zero ($0.00) IA subsidy is owed. Any interest assistance subsidy owed the lender that is being cancelled is permanently forfeited. 1980-64, "Interest Assistance Agreement" is considered an allonge/modification agreement to the promissory note. Process FSA-1980-24 as per C above.

Therefore, since the lender requested and the Agency approved the 4 % IA subsidy for the prior claim period, regardless whether or not the lender gets paid, the borrower is to pay only the reduced or borrower's effective interest rate.

Borrower's Effective Interest Rate = Promissory Note full not interest-4% FSA interest assistance subsidy.

E Lender Documentation – Borrower Fault

If the fault of the borrower, the lender can protect itself by notifying the borrower(s), in writing, of the required interest assistance renewal information that the borrower must provide in order for the lender to submit the interest assistance subsidy claim to FSA as per 2-FLP Handbook, Par. 228 A, "Request for IA Payment and Renewal." The lender can be paid for the current IA claim period if the lender provides the following documentation to FSA that the:

- Lender adequately notified the borrower (preferably 2 letters).
- Borrower notifications addressed in detail all of the interest assistance subsidy renewal requirements.
- The evidence must support that the borrower(s) were the responsible party that failed to proved the required interest assistance subsidy renewal information within the 1-year annual review date. Process FSA-1980-24 as per C above.

F Web GLS Reports

County Offices should utilize the Web GLS reports in monitoring its interest assistance accounts.