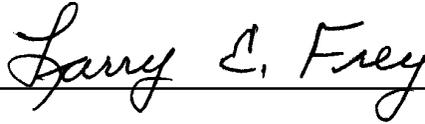


For: County Offices

**Graduation of Specified Minor Program Loans**

Approved By: State Executive Director

LEF:LEV:lv



**1 Overview**

*A*

**Background**

Farm Service agency's (FSA's) graduation requirements apply to certain minor program-type loans as well as loans made under the Agency's regular Farm Loan Programs (FLP). Graduation requirements and procedures for specified minor program-type loans are found in FSA Instruction 1951-F.

*B*

**Purpose**

The purpose of this Oregon Notice is to:

- obsolete and revise former Oregon Notice FLP-118
- require District Directors to determine the financial status of presently indebted FSA borrowers who now hold Indian Tribal Land Acquisition Program (ITLAP), Grazing Association, and Irrigation and Drainage Loans
- require Farm Loan Managers to determine the financial status of presently indebted FSA individual borrowers who now hold Farm Ownership (FO) loans made for Non-Farm Enterprises (NFE) or Recreation Loans
- require that a determination be made concerning the eligibility of ITLAP, Grazing Association, Irrigation and Drainage, FO-NFE, and Recreation Loans to graduate to other credit as required by FmHA Instruction 1951-F
- ensure that reserve accounts are being properly maintained for those entities for which it is a requirement.

**FILING: Preceding FSA Handbook 6-FLP and FmHA Instruction 1951-F**

Disposal	Distribution
January 1, 2004	STO, DD, COR, COC, COF - Including Farm Loan Programs

## 2 Contacts

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A

### Contact Persons

Direct questions concerning required this Oregon Notice or the graduation review process to the FLP section in the STO.

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## 3 Action

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A

### Graduation and Graduation Review Requirements

The graduation and graduation review requirements of Sections 1951.263 and 1951.264 (a) of RD Instruction 1951-F apply to the following loan types:

- ITLAP
- Grazing Association
- Irrigation and Drainage

The following loan types are loans made to individuals, and they should be serviced for graduation at the same time and in the same manner as other FSA direct loans to individuals, such as Operating Loans, (OLs), Farm Ownership (FO) loans, and Emergency (EM) loans. The graduation and graduation review requirements of Sections 1951.262 and 1951.264 (b) of RD Instruction 1951-F apply to these individual type loans:

- FO-NFE
  - Recreation
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B

### Reserve Requirement

District Directors, with the assistance of FLMs and CEDs, will determine and document whether those entities which request a release of reserve account funds have, in fact, met the requirements outlined in Paragraph 42 of FSA Handbook 6-FLP for loans to Indian tribes and tribal corporations.

Any reserve account deficiencies will be included in the graduation activity report submitted to the Farm Loan Chief in the STO.

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*Continued on the next page*

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3 Action, *Continued*

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C

**District Director's Responsibilities**

District Directors (DDs) are responsible for completing graduation reviews of the following loan types:

- ITLAP
- Grazing Associations
- Irrigation and Drainage

When completing graduation reviews, DDs shall:

- participate with Farm Loan Managers (FLMs), Farm Loan Officers (FLOs), and County Executive Directors (CEDs) in meetings with lenders to discuss their underwriting criteria and assess their interest in refinancing ITLAP, Grazing Association, Irrigation and Drainage, FO-NFE, Recreation Loans, and other types of FLP loans

**Note:** Contacts and discussions with lenders will be documented in each COF's FLP 16-4 (1951-F) Operational File.

- identify, with the assistance of FLMs and CEDs, the commercial lenders willing to participate in the graduation review and the information needed to accomplish this action
- assure that at least the most recent financial statement and cash flow statement are requested from each borrower, and monitoring the follow-up on each request to assure that it is provided
- review cases for acceleration and foreclosure according to Section 1951.264 of RD Instruction 1951-F for those borrowers who are eligible for graduation, but refuse to graduate, as well as those borrowers who fail to provide requested financial information
- complete a report on graduation activities by listing the name of the borrower; the reasons for requesting or not requesting the borrower to graduate; the action taken to graduate borrowers to commercial credit or other sources that appear to have the ability to do so; and the result of the graduation review.

**Note:** The DD's report needs to *include* a graduation activity report completed by FLMs for individual borrowers with FO-NFE and Recreation loans.

- send the combined report on graduation activities to the Farm Loan Chief in the STO by December 1, 2004.

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*Continued on the next page*

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**3 Action, Continued**

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*D*

**Farm Loan  
Manager's  
Responsibilities**

FLMs are responsible for:

- assisting DDs in completing graduation reviews for the minor program loan types specified in Subparagraph 2 B above
- completing graduation reviews for individual borrowers with FO-FNE, Recreation, and other direct FLP loan types (such as FO, OL, and EM).

When completing graduation reviews, FLMs shall:

- meet with lenders to discuss their underwriting criteria and assess their interest in refinancing FSA loans of all types
- Note:** Contacts and discussions with lenders will be documented in each COF's FLP 16-4 (1951-F) Operational File.
- identify the commercial lenders willing to participate in the graduation review and the information needed to accomplish this action
  - request financial information from borrowers to make an initial assessment of the borrower's ability to graduate, and monitor follow-up action on each request to assure that the requested information is provided
  - request borrowers who meet the established commercial lending criteria to attempt to graduate
  - review cases for acceleration and foreclosure according to Section 1951.264 of RD Instruction 1951-F for those borrowers who are eligible for graduation, but refuse to graduate, as well as those borrowers who fail to provide requested financial information
  - complete a report on graduation activities for individuals with FO-NFE and Recreation loans by listing the name of the borrower; the reasons for requesting or not requesting the borrower to graduate; the action taken to graduate borrowers to commercial credit or other sources that appear to have the ability to do so; and the result of the graduation review.
  - send the completed report on graduation activities for individuals with FO-NFE and Recreation loans to the DD by no later than November 21, 2003 so that it can be combined and included in the DDs required report.
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