

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Oregon State Office  
7620 S.W. Mohawk Street  
Tualatin, OR 97062-8121

**For:** County Offices

**Form FSA 1962-1 Completion**

**Approved By:** Acting State Executive Director

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*by Ly E Joig*

**1 Overview**

**A Background**

Results of Oregon's Fiscal Year 2003 National Internal Review (NIR) Summary Report indicated that some entries on Form FSA 1962-1 "Agreement for the Use of Proceeds/Release of Chattel Security" did not always match the information shown in Tables A, D, E, G, H, and K in terms of proposed uses, times for disposition, and amounts. In addition, planned and actual disposition of collateral was not always entered on Form FSA 1962-1.

**B Purpose**

- remind DDs, FLMs, FLOs, and CEDs of the importance of preparing Form FSA 1962-1 completely and correctly
- remind DDs, FLMs, FLOs, and CEDs that FSA must record dispositions of chattels on the actual columns on the Form FSA 1962-1 when the year end analysis has been conducted
- remind DDs, FLMs, FLOs, and CEDs of the borrowers responsibilities as it relates to the Form FSA 1962-1
- remind DDs, FLMs, FLOs, and CEDs of the importance that the numbers shown on the Form FSA 1962-1 are the same as the numbers on the FHP.

**C Contact**

Direct questions concerning this Notice to Peter Halvorson in the State Office.

**FILING: Preceding FmHA Instruction 1962-A**

**Disposal Date**

**Distribution**

April 1, 2005

STO, DD, COR, COC, COF - Including Farm Loan Programs

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### 2 Form FSA 1962-1

#### A Responsibilities

- FSA must maintain a current record of each borrowers chattel security
- FSA will record all dispositions and acquisitions of chattels on Form FSA 1962-1
- the borrower must account for the whereabouts or disposition of all chattels
- FSA must inform the borrower that security must be accounted for at loan closing and as often as deemed necessary by FSA
- there must be a current Form FSA 1962-1 in the case file when chattels secure the loan.

#### B Preparation of Form FSA 1962-1

- be completed in ink (not in pencil)
- the beginning date of the Form FSA1962-1 should coincide with the beginning date of the Farm and Home Plan
- enter the expected amount of proceeds, which will match Table D and E of the Farm and Home Plan
- enter the month of disposition
- should be signed when the FmHA 431-2 is signed.

#### C Dispositions and Revisions

Record of Dispositions on Form FSA 1962-1:

- FSA must approve or disapprove disposition on the FSA 1962-1
- FSA must authorize the disposition of chattel security by initialing and dating Form FSA 1962-1
- need to separate out each year's dispositions.

Revisions on Form FSA 1962-1:

- Form FSA 1962-1 will be revised whenever significant changes occur during the year that will affect repayment ability
- the borrower and FSA will initial and date the revisions
- if an agreement can't be reached between FSA and the borrower on revising the Form FSA1962-1, then the borrower may appeal that decision. If the borrower doesn't appeal, then the planned releases documented on the current Form FSA 1962-1 are binding
- unauthorized dispositions of security will be handled in accordance with FmHA Instruction 1962-A, Section 1962.18 and 1962.49.

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### 3 County Office Actions

#### A Consistency between Form FSA 1962-1 and the Farm and Home Plan

The Form FSA 1962-1 needs to mirror the Farm and Home Plan (FHP) in the following areas:

- enter the description of chattel security from Table D and E onto the property description line item on the Form FSA 1962-1
- the planned uses must be specific and match Table K's Source of Funds and the order of who gets the proceeds should be in accordance with their lien priority on that particular crop
- Table K of the FHP must match up with Form FSA 1962-1 so they are consistent in reflecting the amounts and when payments are to be made to each creditor, and that the source of the funds with which the payment is to be made
- the time period of the FHP and the Form FSA 1962-1 must be the same
- the total income shown in Table D and E for each crop or product should match the Form FSA 1962-1 item D (Amount of Proceeds)
- the quantity shown on the Form FSA 1962-1 should match the amount shown on the FHP.

#### B Notices and Records

Form FSA 1962-1 along with Exhibit A and Attachment 1 of FmHA Instruction 1924-B will be sent to the borrower 60 days prior to the end of the year. The new Form FSA 1962-1 needs to be developed prior to expiration of the existing one.

Be aware that Form FSA 1962-1 does not expire until proper disposition of the listed chattel security has been accomplished, or the remaining chattel security has been transferred to a new Form FSA 1962-1.

### 4 State Office Action

#### A State Evaluation Reviews

Each year the STO will conduct State Evaluation Reviews on selected offices and review loan dockets to see if the Form FSA 1962-1 is completed in accordance with Sections 1962.16 and 1962.17 of FmHA Procedure 1962-A.

The STO will also check to see if FmHA Instruction 1924-B, Section 1924.56(a) (1) and Section 1924.56(b) (3) and (4) are being followed.