

UNITED STATES DEPARTMENT OF AGRICULTURE

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

**Oregon Notice
FLP-166**

For: County Offices

Graduation of Specified Minor Program Loans

Approved By: State Executive Director

by Rogan Treshan

LEF:LEV:th

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 Handbook 6-FLP.

B Purpose

The purpose of this Oregon Notice is to:

- replace Oregon Notice FLP-128 which expired October 1, 2003
- require District Directors to determine the financial status of presently indebted FSA borrowers who now hold Indian Tribal Land Acquisition Program (ITLAP) Loans, and AMP Loans, which are 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 IMP Loans, which are Farm Ownership (FO) Loans made for Non-Farm Enterprises (NFE) and Recreation Loans
- require that a determination be made concerning the eligibility of ITLAP, IMP and AMP Loans to graduate to other credit as required by FSA Handbook 6-FLP, Paragraphs 43 and 76
- ensure that reserve accounts are being properly maintained for those entities for which it is a requirement.

FILING: Preceding FSA Handbook 6-FLP

Disposal

July 1, 2005

07-01-04

Distribution

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

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1 Overview (Continued)

C Contact

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

2 Action

A Graduation and Graduation Review Requirements

Graduation Reviews should be completed by July 1st of each year.

The graduation and graduation review requirements of FSA Handbook 6-FLP, Paragraph 43 and Form FSA 2621 “Indian Tribal Land Acquisition Program Tribal Council Resolution and Certification” and Form FmHA 1927-1 OR “Real Estate Mortgage for Oregon” apply to the following loan type:

- Tribal Land Acquisition Program Loans (ITLAP) (Fund Code 98).

The graduation and graduation review requirements of FSA Handbook 6-FLP, Paragraph 76 apply to the following loan types:

- AMP Loans: Grazing Association Loans (Fund Codes 52, 74 and 94)
Irrigation and Drainage Loans (Fund Codes 51, 76 and 96).

The following loan types are 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 FSA Handbook 6-FLP, Paragraph 76 apply to the following loan types:

- IMP Loans: FO-Nonfarm Enterprise (NFE) Loans (Fund Code 48)
FO Loan Program for Recreation Purposes (Fund Code 49).

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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2 Action (Continued)

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, AMP and IMP Loans, and other types of FLP Loans

Note: Contacts and discussions with lenders will be documented in each COF's FLP 6-2 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 FSA Handbook 6-FLP 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 and case number 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 DDs 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.**

2 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 2C above
- completing graduation reviews for individual borrowers with IMP Loans 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 6-2 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 borrower to make an initial assessment of each 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, as per FSA Handbook 6-FLP, Paragraph 76
- review cases for acceleration, foreclosure and liquidation according to FSA Handbook 6-FLP, Paragraphs 76 through 82 for those borrowers who are eligible for graduation, but refuse to graduate, those borrower who fail to provide requested information, and those borrowers who should be referred to the Treasury Offset Program (TOP)
- complete a report on graduation activities for individuals with IMP 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 individuals with IMP Loans to the DD by no later than November 15, 2004 so that it can be combined and included in the DDs required report.