



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1380 (1962)

March 26, 1986

■ SUBJECT: Subordination of FmHA Crop Liens to
Guarantee Payment of Crop Insurance Premiums

TO: All State Directors, FmHA

Purpose:

The purpose of this Administrative Notice (AN) is to rectify problems currently existing in some County Offices in regards to FmHA policy on subordinations of crop liens to guarantee payment of crop insurance premiums.

Implementation Responsibilities

FmHA Instruction 1962-A, Section 1962.30 (b)(4), authorizes the subordination of crop liens to crop insurance companies to enable FmHA borrowers to obtain necessary crop insurance. It also allows a subordination to be executed even when FmHA already has a subordination outstanding with another creditor, provided the prior creditor consents in writing to payment of the insurance premiums from the crop or insurance proceeds. The planned purchase of crop insurance for crop secured FmHA loans should be shown on Form FmHA 431-2, Farm and Home Plan, and/or on Form FmHA 1962-1, Agreement for the Use of Proceeds/Release of Chattel Security. If the purchase of crop insurance is not planned, and the borrower later decides to purchase crop insurance, FmHA is under no obligation to execute a subordination for the purchase of such insurance. However, if a subordination is approved, the appropriate changes will be made on Forms FmHA 431-2 and 1962-1.

If a subordination is executed to enable the borrower to obtain insurance on crops, the borrower will assign the insurance proceeds to FmHA or name FmHA in the loss-payable clause of the policy, in accordance with FmHA Instruction 1962-A, Section 1962.30 (b)(5). If a subordination is executed when another creditor already holds a FmHA subordination, but the other creditor has consented to the second subordination, the borrower will assign the insurance proceeds to both FmHA and the other creditor; or name both FmHA and the other creditor in the loss-payable clause of the policy. Approval authority for this type of subordination is outlined in FmHA Instruction 1962-A, Section 1962.30 (c).

VANCE L. CLARK
Administrator

To be sent by ELECTRONIC MAIL on 03/28/86 , at 8:18 am. by DASD/IMPS.
The State Director should advise other personnel as appropriate.

Expiration Date: March 31, 1987

Filing Instruction: Preceding
FmHA Instruction: 1962-A



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