UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

Notice FLP-122

442.11

For: State and County Offices

Indian Tribal Land Acquisition Program (ITLAP) Loans

Approved by: Deputy Administrator, Farm Loan Programs

Carolyn B. Cooksie

1 Overview

A Background

OIG audits and program reviews have identified concerns about the making and servicing of ITLAP loans.

B Purpose

This notice provides clarification of:

- existing requirements when making and servicing ITLAP loans
- SED and DD responsibilities.

2 Action

A Lien on Land Acquired With ITLAP Funds

FmHA Instruction 442.11 IX states, "Ordinarily, the security will include a first lien on land acquired with loan funds plus assignment(s) of income. However, the security may consist only of assignments of income if the [SED] determines that this will provide as good or better security than the land acquired with loan funds."

Effective immediately, a lien will be taken on all land to be acquired with ITLAP funds unless prior written concurrence is obtained from DAFLP about the determination that an assignment of income will provide as good or better security than the land acquired with loan funds.

Continued on the next page

Disposal Date	Distribution
October 1, 2000	State Offices; State Offices relay to County Offices

2 Action (Continued)

B
Test for Credit for ITLAP Loans

FmHA Instruction 442.11 III B states, "To be eligible for an [ITLAP] loan, the tribe must be unable to obtain sufficient credit elsewhere at reasonable rates and terms to finance the proposed land acquisition." When evaluating the availability of other credit, the tribe must be unable to obtain financing from private and commercial sources, as well as BIA.

C
Condition for Loan Approval

SED must add the following condition on FmHA 1940-1, item 44, "A corresponding reduction in loan principal must accompany the sale of assets that are not renewable within the life of the loan".

D
Accounting of Funds

FmHA Instruction 442.11 VIII E requires that land acquisition, debt service, and reserve accounts be established at loan closing.

SED must coordinate with the tribe and BIA to ensure that the specific requirements for the land acquisition, debt service, and reserve accounts, according to FmHA Instruction 442.11 VIII E, are met throughout the life of the loan. SED must review these accounts annually and document findings about compliance. Any problems that SED's are unable to resolve will be reported to DAFLP.

E
Responsibility

DD, whose district includes an Indian Reservation that is recognized by the Federal Government, shall be the primary contact in making and servicing ITLAP loans.

DD's shall submit to SED and SED shall submit to DAFLP by December 31, their documentation about:

- compliance according to FmHA Instruction 442.11
- graduation reviews according to FmHA Instruction 1951-F
- any planned loan restructuring activity according to FmHA Instruction 1951-E.

F
Contact

If there are any questions about this notice, contact Gary West, LSPMD, Guaranteed Loan Servicing and Inventory Property Branch, at 202-690-4008.