



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

May 26, 1982

SUBJECT: Multiple Advance Feature for Disbursing Loan
and Grant Funds

TO: All FmHA State Directors, District Directors,
County Supervisors, and Acting Assistant Administrator
Accounting and Director, Finance Office

In January 1977, the Loan Disbursement System was implemented nationwide. The system provided the capability for advancing funds on an "as needed" basis for all loan and grant programs.

The General Accounting Office estimated at that time the annual savings to the borrowers and the Federal Government would exceed \$20 million. Their estimate was based on an annual loan and grant volume of \$3.5 billion. Last fiscal year the loan and grant activity exceeded \$13.5 billion. Therefore, it is now estimated that in excess of \$75 million a year savings to the borrowers and the Government may be realized if loan and grant funds are requested only for the actual amount required.

This system of disbursing loan and grant funds on an "as needed" basis should continue to be used so as to preclude the necessity for establishing supervised bank accounts. Supervised bank accounts should only be used in those rare instances where permitted in the appropriate loan program instructions. By eliminating the need for supervised bank accounts, the Agency's operating efficiency will be increased, in addition to the interest savings realized by the Agency and borrowers.

In the case of Community Programs and Multiple Family Housing loans, this AN should not be construed as encouraging the use of multiple advances in place of interim financing. When interim financing is not available the multiple advance procedure should be used if possible. FmHA Instruction 1942-A, Section 1942(n)(2) states in part that "In all loans exceeding \$50,000, where funds can be borrowed at reasonable interest rates on an interim basis from commercial sources for the construction period, such interim financing will be obtained so as to preclude the necessity for multiple advances for FmHA funds." Emphasis should continue to be placed on using interim financing in accordance with this instruction.

CHARLES W. SHUMAN
Administrator

EXPIRATION DATE: April 30, 1983

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1902-A

