



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN 1456 (1940)

August 7, 1986

SUBJECT: Meeting Prompt Approval and Prompt Loan Closing Requirements
for Farmer Program Loans

TO: All State Directors; State Directors-at-Large
and Assistant Administrator Accounting and Director,
Finance Office, FmHA

Purpose/Intended Outcome:

The purpose of this Administrative Notice (AN) is to eliminate confusion, and assure uniformity in meeting statutory time requirements for approval and closing farmer program loans.

Implementation Responsibilities:

Section 1312(A) of the Food Security Act of 1985 requires that FmHA will approve or disapprove an application for a loan or loan guarantee and notify the applicant of such action not later than 60 days after a complete application has been received for such a loan or loan guarantee. This section of the Act further requires that, if an application for an insured loan is approved, the FmHA will provide loan proceeds to the applicant within 15 days. The Act also provides that, if there are not enough funds available, the loan proceeds shall be provided to the applicant as soon as practicable (but not later than 15 days unless the applicant agrees to a longer period) after funds become available.

Questions continue to arise from field personnel on the method of approval during periods when funds are not available, and on meeting the 15-day loan closing/disbursement deadline when legal title work may be incomplete.

A loan is considered approved when Form FmHA 1940-1, "Request for Obligation of Funds," is executed. Therefore, in order to meet the requirement of prompt approval in situations where funds are temporarily exhausted, the 1940-1 must be signed. It is not sufficient to take the application to the County Committee and process it up to the point of signing the 1940-1. The following approval condition will be included, unaltered, under section 41, "Comments and Requirements of Certifying Official," of Form FmHA 1940-1 upon execution of the form for all insured and guaranteed farmer program loans:

"This loan/guarantee is approved subject to the availability of funds. If this loan/guarantee does not close for any reason within 90 days from the date of approval on this document, the approval official may request updated eligibility information. The undersigned loan applicant agrees, provided the applicant continues to remain eligible for loan assistance, that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds."

EXPIRATION DATE: JULY 31, 1987

FILING INSTRUCTIONS: Preceding FmHA
Instruction 1940-L



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

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When funds become available, the approval official should immediately ask the applicant for such updated eligibility information as the approval official believes is necessary. That information must be reviewed within 14 working days and the 1940-1 submitted if the applicant is still eligible. The attached letter will be mailed to all insured loan applicants whose requests for assistance have been approved subject to the availability of funds.

In the case of guaranteed loans where funds have been exhausted, the Conditional Commitment for Guarantee will not be executed until such time as funds have been obligated in connection with the guarantee request.

In order to meet the statutory 15-day requirement of loan closing and disbursement where legal/title work may be delayed for reasons beyond FmHA's or the borrower's control, the following language will be included on the 1940-1 for insured loans:

"If this is a loan approval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15 working day loan closing requirement may be exceeded for the purposes of the applicant's legal representative completing title work and completing loan closing."

The intent of this AN is not to circumvent the statutory requirements for prompt approval and prompt delivery of funds. Therefore, field personnel are cautioned that applications should continue to be processed in accordance with the timeframe requirements set forth by FmHA regulations.



VANCE L. CLARK
Administrator

Attachment

Sent by electronic mail on 8/13/86 at 11:40 by IMPS (DASD).

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UNITED STATES DEPARTMENT OF AGRICULTURE
Farmers Home Administration
(location)

Dear _____:

Your application for Farmers Home Administration (FmHA) services has been favorably considered by the FmHA Area Committee. The loan approval official has determined that your plan of operation is feasible, however, the Agency has currently exhausted its appropriations of funds for the type(s) of loans you are requesting. Therefore, your loan has been approved subject to the availability of funds for your request.

Your loan application will remain on hand unless you wish to withdraw it. At the time funds become available for your request you will be notified. If there have been any changes in your application since it was originally filed, your eligibility will be reestablished at that time. This may require your submission of updated financial information.

If you have any questions regarding the status of your application, please contact this office.

County Supervisor