

**For:** State and County Offices

**Release of Liability for Divorced Spouses  
Who Have Received Prior Debt Forgiveness**

**Approved by:** Acting Deputy Administrator, Farm Loan Programs



**1 Overview**

**A  
Background**

The Consolidated Farm and Rural Development Act (CONACT), sections 353(m) and 373(c), prohibits more than 1 debt forgiveness per borrower in the direct loan programs. The definition of "debt forgiveness" in section 343(12) requires a loss to the Secretary.

**B  
Purpose**

This notice provides clarification to FmHA Instruction 1951-S, section 1951.909(a)(2), concerning release of liability for divorced spouses who have received prior debt forgiveness.

**C  
Contact**

Direct questions as follows.

- County Offices shall contact the State Office.
- State Offices shall contact Bruce Mair, LSPMD.

<p><b>Disposal Date</b></p> <p>February 1, 2000</p>	<p><b>Distribution</b></p> <p>State Offices; State Offices relay to County Offices</p>
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**2 Release of Liability and Prior Debt Forgiveness**

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**Release of  
Liability With  
NO LOSS to the  
Government**

SED or Administrator may approve release of liability for divorced spouses who have received prior debt forgiveness **if** the transaction completed according to FmHA Instruction 1951-S, section 1951.909(a)(2), **will not** result in a loss to the Government.

**Example:** A divorced spouse withdraws from the operation and qualifies for release of liability under section 1951.909(a)(2), except for the requirement concerning individual debt forgiveness. **The spouse who will continue with the operation shows repayment ability for the debt.** The release of liability of the divorced spouse may be approved by SED or Administrator because it will not result in a loss to the Government. Therefore, the spouse's release from liability is not debt forgiveness under CONACT, section 373(c).

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