

For: State and County Offices

COC Decisions on Direct Loans

Approved by: Administrator



1 Overview

A

Background

Loan eligibility, beginning farmer or rancher, and borrower training determinations for direct loans traditionally have been made by COC's. The Civil Rights Action Team recommended that the COC's role in loan programs be reduced to improve service. The Secretary has accepted that recommendation.

Note: This notice replaces Notice FC-205 which has expired.

B

Purpose

This notice:

- modifies the eligibility determination process for direct loans
- delegates responsibility for making borrower training determinations to the loan approval official.

C

Contact

State Offices shall direct questions about this notice to LMD.

<p>Disposal Date</p> <p>March 1, 2000</p>	<p>Distribution</p> <p>State Offices; State Offices relay to County Offices</p>
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Notice FLP-37

2 Effects of Changes

A

Eligibility Decisions

This notice eliminates the requirement for COC's to make decisions on direct loan requests concerning:

- loan eligibility for direct loans
- beginning farmer or rancher status
- borrower training.

The authority and responsibility for these determinations are hereby delegated from the Administrator to Agency credit officials with loan approval authority.

B

County Office Action

FmHA 440-2 shall be completed and signed on the reverse by a credit official with loan approval authority.

C

Role of COC in Loan Making

COC is an important resource in the County Office.

COC shall continue to act in an advisory capacity to loan officials, providing them with vital information about local agricultural practices, production conditions, and loan applicants.

Example: Loan officials should consult with COC in determining typical business and production practices in the area, typical share lease terms, cultural practices, and production contract provisions. This and similar local information are essential in providing meaningful advice to applicants and supervision to borrowers.

Continued on the next page

2 Effects of Changes (Continued)

D

**Role of COC in
Loan Making
(Continued)**

Loan officials should:

- consult with COC regularly to stay informed of any conditions in the area that may affect demand for FSA loans
 - work closely with COC in conducting outreach activities, such as informational meetings, fair booths, and field days
 - attend COC meetings at least quarterly to keep COC informed of loan program activity in the county or area.
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E

**Role of COC in
Loan Servicing**

COC shall continue to make recommendations and determinations as specified in loan servicing instructions. This includes determinations regarding inventory property according to RD Instructions 1955-B, section 1955.63 and 1955-C, sections 1955.107(a)(2)(ii) and 1955.137(b).

COC has critical responsibilities in debt settlement actions as stated in RD Instruction 1956-B and releases of personal liability as stated in FmHA Instruction 1965-A. COC must continue to annually certify in writing that the credit and eligibility reviews required by section 635 of the Federal Agriculture Improvement and Reform Act of 1996 have been completed. COC shall also act in a general advisory capacity to loan officials in loan servicing activities similar to its role in loan making.
