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

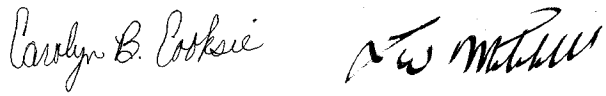
Notice FLP-106

1945-D

For: State and County Offices

Considering Crop Loss Assistance Payments (CDP) When Processing Loans

Approved by: Deputy Administrator, Farm Loan Programs, and Deputy Administrator, Farm Programs



1 Overview

A Background

Section 801 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000, makes funds available to producers who have incurred losses in a 1999 crop because of disaster, as determined by the Secretary.

At the time of sign-up, the Agency will determine the producer's maximum entitlement. The Agency is also authorized to make an advance not to exceed 35 percent of the maximum entitlement at the time the calculation is completed. The final payment to the producer will be determined after the sign-up period ends. Final payments will be made on a prorated basis, taking into consideration the total entitlements and the available funding.

FmHA Instruction 1945-D, section 1945.163(d), requires that all financial assistance provided through any disaster relief program and all compensation for disaster losses received from any source, such as crop insurance, indemnity payments, and FSA disaster programs, will reduce an Emergency Loan (EM) applicant's loss by the amount of such compensation.

B Purpose

This notice:

- provides guidance on how to consider CDP when processing, approving, and closing EM loans
- establishes guidance for estimating CDP when developing cash flow projections for farm ownership, operating, and EM loans.

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

2 Action

A Processing, Approving, and Closing EM Loans

Loan approval officials shall:

- continue to process loan applications in a timely manner
- upon receipt of an application, request that CED in each local office where crop CDP applications have been filed, complete the calculation to determine the producer's maximum CDP entitlement
- include the initial 35 percent payment in FmHA-945-26, "Calculation of Actual Losses," items C2 and D2
- include as a loan closing condition on RD-1940-1, "Request for Obligation of Funds," that the producer "agrees to assign any future CDP and other disaster payments to Farm Service Agency as an extra payment on this loan"
- complete CCC-36 assignment to be signed by the producer at closing
- if requested by the producer in writing, hold the application as incomplete until the final CDP payment is made, at which time a final loss calculation can be completed.

B Estimating Payments for Cash Flow Purposes

Loan approval officials shall:

- allow the applicant to choose either of the following options for calculating the cash flow:
  - make an adjustment to FSA-431-2, "Farm and Home Plan," Table J, item 3, to include 50 percent of the maximum CDP, as calculated by CED, and have FSA continue to process the loan request
  - suspend processing of the application until the producer receives final payment or is notified by CED of the amount of final payment.

Note: The loan approval official should counsel the applicant to determine which method will be the best for the applicant based on whether inclusion of 50 percent of the maximum CDP will make the farm and home plan cash flow. The applicant should notify the Agency in writing which of the options they choose.

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2 Action (Continued)

B Estimating Payments for Cash Flow Purposes (Continued)

- if a feasible plan is developed using either of these methods and the applicant is otherwise eligible, continue to process and approve the application, subject to the availability of funds
- if a feasible plan cannot be developed using either of these methods, or the applicant is otherwise ineligible, deny the loan and give the applicant appropriate appeal rights.

CED's shall:

- consider CDP applications from producers who are seeking loans a priority when determining CDP eligibility
- within 5 workdays of a request from the loan approval official, complete the calculation of the producer's maximum CDP.

C Contact

State Offices shall direct questions about this notice to Chuck Ropp at 202-690-4017 or Mike Hinton at 202-720-1764.