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

Notice FLP-242

For: State and County Offices

Disbursement of Loan Funds

Approved by: Deputy Administrator, Farm Loan Programs

Carolyn B. Cooksie

1 Overview

A Background

The National Office has become aware of an increasing number of instances in which loan funds are not used:

- for an authorized loan purpose
- as agreed upon by the borrower and FSA.

B Purpose

This notice reminds Loan Approval Officials of their responsibilities to ensure that loan funds are used:

- for authorized purposes
- as agreed upon between the borrower and FSA.

C Contact

State Offices shall refer questions about this notice to Jim Benson, Senior Loan Officer, LSPMD, at 202-720-4572.

Disposal Date	Distribution
February 1, 2003	State Offices; State Offices relay to County Offices

2 Disbursing Loan Funds

A Methods for Disbursing Loan Funds

It is essential that Loan Approval Officials disburse loan funds in a manner that ensures that the Government's interests are protected. The Debt Collection Improvement Act of 1996 requires that loan funds be disbursed by Electronic Fund Transfer (EFT), unless a waiver is in place. If a waiver to EFT has been obtained, a Treasury check will be generated through the Automated Discrepancy Processing System. Regardless of which method is used, Loan Approval Officials may only advance the amount of funds necessary to meet the borrower's immediate needs.

B Ensuring Proper Use of Loan Funds

When disbursing loan funds for the purchase of chattel property or refinancing of debt, Loan Approval Officials shall:

- use EFT to transfer the funds directly to the account of the seller or holder of the debt being refinanced
- endorse the Treasury check to the seller or holder of the debt being refinanced according to §1902.3(b)(2) of RD Instruction 1902-A.

When circumstances do not allow for disbursement by either of the above procedures, loan funds may be deposited into a supervised bank account according to §1902.3(c) of RD Instruction 1902-A. Using EFT to make deposits into supervised bank accounts is encouraged.