



United States  
Department of  
Agriculture

Rural  
Development  
Administration

Washington, D.C.  
20250

FmHA/RDA AN No. 2808 (1940)

June 15, 1993

**SUBJECT:** Environmental Reviews on Rural Development  
Administration Projects

**TO:** Regional Directors, RDA  
State Directors, FmHA  
RDA-Detailed State Program Chiefs, FmHA  
District Directors, FmHA  
Regional and State Environmental Coordinators

**PURPOSE/INTENDED OUTCOME**

This Administrative Notice (AN) provides suggestions on completing environmental reviews on Community and Business Programs loan/grant projects financed by the Rural Development Administration (RDA). These suggestions should be used in conjunction with other loan/grant processing steps.

**COMPARISON WITH PREVIOUS AN**

There are no previous ANs on this subject.

**IMPLEMENTATION RESPONSIBILITIES**

Processing a preapplication/application for RDA assistance includes some level of environmental review. The environmental review, if done properly, as required by FmHA Instruction 1940-G, must be completed along with other processing steps in a timely manner. The environmental review takes time and effort to complete. Poor timing and misspent effort can unnecessarily delay loan approval.

In addition to satisfying the National Environmental Policy Act, the environmental review functions as a useful planning and decision making tool. The most benefit is derived when the environmental review is done early in a project's planning stages, when alternatives are available and mitigation measures are more flexible. Prepared at the proper time, an environmental review can have a meaningful and positive impact on the project. However, postponing the environmental review until after the planning is completed and the decision is all but made, reduces the review's usefulness to the point of frustration for both the Agency and the applicant.

**EXPIRATION DATE:**  
April 30, 1994

**FILING INSTRUCTIONS:** Preceding  
FmHA Instruction 1940-G

The following are suggestions to improve the overall process and avoid situations where the obligation cannot be made until the environmental requirements are satisfied.

To streamline the process, we recommend:

1. Begin environmental review as early as possible. Encourage the applicant to provide environmental information with the submission of the preapplication. With the prospect of available funds, the additional work done up front should not create unreasonable expectations for the applicant.
2. Early in the processing, counsel the applicant and their consultant on the information needed in the Form FmHA 1940-20. When Form FmHA 1940-20 is submitted, begin to develop the environmental assessment immediately. If the form is incomplete, avoid returning the form for minor deficiencies if the preparer can obtain the missing data using RDA/FmHA resources or telephone contacts.
3. Keep documentation concise and to the point. Identify the environmental resources, indicate nature of impacts (direct or indirect) if any, and make a determination on the extent of the impact on the resource. If necessary, specify alternatives to avoid impacts and/or mitigation measures taken to lessen the impacts. Use cross references to RDA environmental material (i.e., Natural Resources Management Guide) and document telephone contacts.
4. Use restrictions should only be applied when appropriate to mitigate adverse impacts. If impacts are minimal, use restrictions may not be necessary.
5. The preparer can use RDA reference materials (i.e., soils survey and list of important farmland soils) to identify important farmland. If important farmland is not present, a contact with Soil Conservation Service (SCS) is not necessary. Your review of the above mentioned soils information should be documented. If important farmland may be present, obtain SCS confirmation. For utility line corridors, SCS has agreed that the Land Evaluation and Site Assessment (LESA) system need not be used if a determination of no practicable alternative is made by RDA. LESA only needs to be used to choose between utility line corridor alternatives when all alternatives impact important farmland. If SCS is not fully responsive, document your determination of important farmland and contact the State Environmental Coordinator (SEC) for assistance.
6. Publish the preliminary notice as soon as it is evident that the project may impact an important land resource. Since utility line projects have a high probability of

impacting these resources, the public notice should be issued as soon as the resources (floodplain, wetland, important farmland, etc.) have been located and identified. The initial identification need not be precise regarding the amount and location, but should clearly identify the type(s) and general location of the resource(s). This initial identification may be based on any reliable source of information including the personal observations or knowledge of the preparer or applicant. The location and amounts of the important land resources will be formally identified or confirmed during the preparation of the assessment. In most cases, the Preliminary Notice can be published shortly after receiving a preapplication, and may precede by several months the public notice of the Finding of No Significant Environmental Impact (FONSI) or a combined FONSI/Final Notice.

7. Make any necessary third party contacts (e.g., technical experts) as soon as possible. It is not necessary to wait until the project is fully designed to begin making the contacts. If the third parties do not respond in a reasonable time, follow up promptly and keep following up. If a third party is not timely in their response, contact the SEC.
8. Managers should assure that the environmental review for each application will be prepared by a qualified individual and that the individual begins the review process as soon as possible. The development of the environmental assessment should proceed in parallel with other docket items. Managers should assure that the entire docket is prepared in a balanced manner and that items, such as public notices, third party contacts, etc., are initiated as early as possible to avoid unnecessary delays.

If you have any questions, contact the Program Support Staff at (202) 720-9619.



LOUIS G. BENNETT  
Acting Administrator



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 2813 (1956)  
June 21, 1993

**SUBJECT:** Use of Private Contractors to Conduct Asset  
Investigations for Farmer Programs Debt Settlements

**TO** State Directors

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to revise and restate FmHA's policy on obtaining asset investigations for Farmer Programs (FP) debt settlements to be approved by the Administrator, and to continue to provide a checklist for use in processing debt settlement actions. The intended outcome is to insure that all assets owned by the borrower(s) are identified and considered when determining repayment ability, and that all information is contained in the file when submitting debt settlement cases to the National Office for approval.

**COMPARISON WITH PREVIOUS AN:**

This AN replaces FmHA AN No. 2609 (1956), which was issued on August 7, 1992, and expires June 30, 1993.

**IMPLEMENTATION RESPONSIBILITIES:**

It has been revealed in recent OIG and GAO audit reports that some borrowers do not report all assets and income from which FmHA could potentially enforce collection. Sections 1956.67 and 1956.70 of FmHA Instruction 1956-B provide that all assets or income must be considered when determining if a borrower has repayment ability. Therefore, to insure that the borrower has reported all available assets, it is required by this AN that FmHA personnel certify that sufficient efforts have been expended to adequately verify that all assets or income have been identified and considered when submitting debt settlement cases to the National Office for approval. This requirement is not necessary for those borrowers who have been discharged in bankruptcy or for those borrowers in which the regional Office of the General Counsel had determined that the debt is without legal merit.

To implement this requirement, State Directors have been re-delegated program authority to request contracts with private institutions/individuals to perform asset investigations in those instances when the FmHA personnel do not have sufficient resources to identify and verify assets and income of borrowers who are being considered for debt settlement, when the amount of the outstanding principal and interest exceeds \$1 million. In addition, the State Directors have been re-delegated program authority for contracts with private institutions/individuals to perform asset investigations for debt settlements of less than \$1 million on large and complex operations such as corporations and partnerships.

**EXPIRATION DATE:** June 30, 1994

**FILING INSTRUCTIONS:**  
Preceding FmHA Instruction 1956-B



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Secretary of Agriculture, Washington, D.C. 20250

Revised guidelines on the "Scope of Work" for preparation of the asset investigation contract are being provided in a separate issuance. Funds have previously been allocated from the National Office to fund the use of contractors for asset investigations for the 1993 fiscal year.

Attached is the checklist which is used by the National Office to review debt settlements. We recommend that this checklist be adopted by each State for use in processing debt settlement recommendations for the approval of State Directors and the National Office.

If you have any questions, contact Joe O'Leska, Director, Large Loan Servicing Group, at FTS (202) 690-1299.

ANY REVISIONS OR MODIFICATIONS TO THIS AND THAT YOU WISH TO PUBLISH AS A STATE DIRECTIVE MUST BE SUBMITTED AND APPROVED BY THE ASSISTANT ADMINISTRATOR, FARMER PROGRAMS, BEFORE IT IS RELEASED FOR IMPLEMENTATION IN YOUR STATE. THE ONLY EXCEPTION TO THIS REQUIREMENT IS WHEN THE REVISION OR MODIFICATION IS NECESSARY FOR COMPLIANCE WITH STATE LAW.

  
SHARRON S. LONGINO  
Acting Administrator

Attachment

Sent by Facsimile on 6/28/93 at 12:07pm by GSS. The State Director should advise other personnel as appropriate.

# DEBT SETTLEMENT CHECKLIST

**BORROWER:** \_\_\_\_\_ **ID #:** \_\_\_\_\_

**REVIEWER:** \_\_\_\_\_ **STATE:** \_\_\_\_\_

**TYPE OF DEBT SETTLEMENT:** \_\_\_\_\_

**DEBT AS OF:** \_\_\_\_\_ **PRINCIPAL:** \_\_\_\_\_ **INTEREST:** \_\_\_\_\_

Answer the following questions by circling "Y", "N", or "N/A". If the reviewer circles "N", additional information may be needed before the debt settlement can be considered for approval.

- Y N N/A (1) Is Part III and IV (and Part V, if applicable) of Form FmHA 1956-1 completed with current income, expense and financial information?
- Y N N/A (2) Does the file contain income verification for all obligors on the Borrower's accounts?
- Y N N/A (3) If the Borrower is still farming or has other business income, is there a realistic cash flow history and forecast in the file?
- Y N N/A (4) Do the family living expenses or other expenses appear excessive, and if so, is there sufficient justification documented in the file?
- Y N N/A (5) Where a spouse is not an obligor on the Borrower's account, is the spouse's income considered in meeting family living expenses?
- Y N N/A (6) Have credit reports been obtained on all obligors on the Borrower's accounts, and other verification of debt (with current balances) been obtained when deemed necessary?
- Y N N/A (7) Has the County Committee signed acceptance for recommendation in Part VII on Form FmHA 1956-1?
- Y N N/A (8) Is Part VIII of Form 1956-1 been completed to include (1) a summary of the Borrower's performance history to indicate specifically what occurred to get the Borrower to this point, (i.e., disasters, management ability, death, health, debt load, capital purchases, etc.), (2) justification for the recommendation, and (3) signed by the appropriate approval official (State Director or Acting State Director)?
- Y N N/A (9) Is there documentation that the Offset Program outlined in FmHA Instruction 1951-C was considered to determine repayment ability?
- Y N N/A (10) Is there documentation that the Borrower's future repayment ability was considered, including potential inheritance possibilities?
- Y N N/A (11) Is a copy of the AGCREDIT/SENT Borrower History Report or other evidence in the file, and does it indicate that the Borrower received all of their 1951-S servicing rights?
- Y N N/A (12) Has Exhibit A, Attachment 1 of FmHA Instruction 1956-B been completed and concurred upon by the State Director?

**DEBT SETTLEMENT CHECKLIST**

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**BORROWER:** \_\_\_\_\_ **ID #:** \_\_\_\_\_

- Y N N/A (13) If the Borrower has disappeared, is there complete documentation on Form 1956-1, Part VIII indicating the efforts made to locate the debtor, names and dates of contacts, and the information furnished by each person contacted per Section 1956.70 (b) (2) of FmHA Instruction 1956-B?
- Y N N/A (14) Does the file contain a financial and production history of the Borrower's performance such as on Form FmHA 1960-12 or financial statements and cash flows with planned and actual income and expense figures, and/or income tax records?
- Y N N/A (15) Has an contracted asset investigation been completed on each obligor on the Borrower's account to determine if other assets or income are available to apply to the FmHA indebtedness? If not, has a properly prepared and executed Certification been completed on each applicable joint debtor? THIS ITEM IS REQUIRED TO BE ADDRESSED FOR ALL DEBT SETTLEMENT RECOMMENDATIONS WHICH EXCEED \$1 MILLION IN OUTSTANDING DEBT.
- Y N N/A (16) Have the appropriate court records been searched to determine if each obligor on the Borrower's account has other assets which are available to apply to the FmHA indebtedness? THIS ITEM IS REQUIRED TO BE ADDRESSED FOR ALL DEBT SETTLEMENT RECOMMENDATIONS WHICH ARE LESS THAN \$1 MILLION IN OUTSTANDING DEBT.
- Y N N/A (17) Has the case been referred to the Office of the Inspector General ("OIG") as part of the process in determining if a contract asset investigation was necessary? Documentation as to the appropriateness of referring the case to the OIG should be included in the file.
- Y N N/A (18) Has all chattel security identified on Form FmHA 440-4 "Security Agreement" been properly accounted for on Form FmHA 1962-1 (crops, livestock, machinery, equipment, etc.)?
- Y N N/A (19) Has all real estate security described on the mortgage or deed of trust been properly accounted for?
- Y N N/A (20) Have all other assets which have been pledged to FmHA as security (such as assignments of insurance policies, leaseholds, etc.) been accounted for?
- Y N N/A (21) Is there documentation in the file or on Form FmHA 1956-1 that every attempt was made to collect the debt in full and to secure a reasonable compromise or adjustment offer?
- Y N N/A (22) If the Borrower or an individual obligor on the Borrower's account was discharged in bankruptcy, is a copy of the discharge or order confirming the plan attached to Form FmHA 1956-1?
- Y N N/A (23) If the case was referred to the Office of the General Counsel ("OGC") and/or OIG, have all of the investigative, civil and criminal actions been closed?