

For: State and County Offices

**Assignment of Peanut Quota Buyout Payments by FLP Borrowers**

Approved by: Acting Deputy Administrator, Farm Loan Programs

*Alminda (Dee) Cole*

**1 Overview**

**A**

**Background**

The Farm Security and Rural Investment Act of 2002 (the Act) provides for the termination of marketing quota programs for peanuts and for Federal payments as compensation for peanut producers holding such quotas.

These quotas were encumbered as part of the FLP real estate security at the time borrowers' FSA loans were made and served as collateral for FLP loans. However, section 1309(g) of the Act severs the relationship between the land and the quotas, thereby removing FSA's ability to take action to protect the Government's interest in the quotas/payments.

Therefore, it is imperative that all borrowers holding peanut quotas be contacted and urged to make a formal assignment of those proceeds to the Agency according to their original loan agreements.

**B**

**Purpose**

This notice instructs field offices to immediately contact and encourage borrowers who hold peanut quota allotments to formally assign the proceeds of the upcoming buyout program to FSA according to their original loan agreements. Assignments should be made using CCC-36, or CCC-37 which makes the CCC payment jointly payable to the borrower and FLP. The joint payment authorization is a good tool for working with borrowers who need a portion of the buyout for family living or farm operating expenses.

**C**

**Contact**

State Offices shall refer questions about this notice to Bashir Duale, Loan Servicing and Property Management Division, at 202-720-4572.

<b>Disposal Date</b>	<b>Distribution</b>
July 1, 2003	State Offices; State Offices relay to County Offices

## Notice FLP-263

### 2 Policy

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#### A

##### Sample Letter

Distribution of payments for the peanut quota buyout will begin in September. Therefore, all offices shall immediately contact borrowers who hold such quotas, using the sample letter in Exhibit 1, requesting that they formally assign buyout proceeds to FSA, or provide consent to have CCC issue the payment to the borrower and FLP jointly.

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#### B

##### Taking Assignments and Offsets

Because the law severs the relationship between the real estate and the quotas, FSA may not require borrowers to execute assignment documents for these payments, nor initiate adverse action based solely on their refusal to provide this assignment. It is hoped that the borrowers' prior commitment in pledging the quotas as security for Agency loans, and the obvious benefits of paying down their existing loan balances, will be sufficient encouragement for them to honor that commitment and provide the assignment.

Once an assignment is executed, CED should immediately be made aware of that fact, so the proceeds will be paid to FSA, or to FSA and the borrower jointly, instead of directly to the borrower.

If the borrower is delinquent, offset should be taken according to RD Instruction 1951-C. No assignment is needed in the case of offset.

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**Sample Borrower Letter**

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Dear \_\_\_\_\_ :

As a peanut producer, you are no doubt aware of the provisions in the 2002 Farm Bill which terminate the market quota program for that commodity. This legislation provides for cash payments in compensation for the quota allotments.

In your FSA loan documents, you pledged those quotas as security for your debt to the Agency. Without the application of the buyout payments to your debt, your loan(s) may become undersecured. Therefore, we are requesting that you contact this office to arrange an appointment to execute a formal assignment of the buyout proceeds to FSA. However, if you need a portion of the payment for family living or farm operating expenses, consider signing the form which would require the Agency to issue payment to you and FSA jointly.

Any funds received by FSA will be credited to your outstanding loans according to applicable Agency regulations.

We appreciate your assistance in this matter.

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