



FmHA AN No. 1880 (1951)

March 16, 1989

SUBJECT: Review of Limited Resource FO and OL Loans

TO: State Directors and District Directors

ATTN: Farmer Program Chiefs

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is issued to provide guidance in reviewing limited resource borrowers for changes in interest rate. The intended outcome is to ensure that limited resource rate increases do not interfere with borrower's ability to obtain credit from non-FmHA sources.

COMPARISON WITH PREVIOUS AN:

No previous AN has been issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

FmHA Instruction 1951-A, Section 1951.25(b), states in part that when reviewing limited resource loans for potential increases in interest rates:

1. Each loan will be considered on its own merit.
2. The Farm and Home Plan projections for the coming year must show that the "balance available to pay debts" exceeds the amount needed to pay debts by at least 10 percent before an increase in interest rate is put into effect.

This does not require that the interest rate be increased automatically simply because the financial plan cash flows with a 10 percent margin, but allows the County Supervisor to use his/her discretion.

An example of a situation where an increase in interest rate may not be warranted is the case of a limited resource borrower who is obtaining annual operating credit through another lender with an FmHA guarantee. To receive

EXPIRATION: December 31, 1989

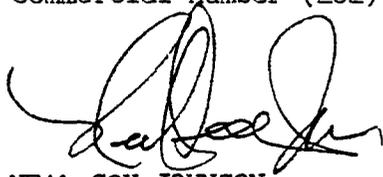
FILING INSTRUCTIONS  
Preceding FmHA  
Instruction 1951-A



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a guaranteed loan, the balance available must exceed the amount to be paid in Table K of the Farm and Home Plan by 10 percent. See FmHA Instruction 1980.106(b)(17). Thus, the receipt of a guaranteed operating loan should not automatically trigger an increase in the limited resource rate. The factors listed in FmHA Instruction 1951.25(b) must be considered in each case.

If you have any questions, please contact Ann Dill, FPLMD, at FTS 382-1186 or commercial number (202) 382-1186.



NEAL SOX JOHNSON  
Acting Administrator

Sent via electronic mail on 3/17/89 at 8:56 Am. by ASD.  
A copy of this AN will be duplicated by the District Directors and distributed to all County Offices. State Directors will immediately distribute to Farmer Programs Chiefs and other appropriate personnel.