



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 2003 (1962)

October 27, 1989

SUBJECT: Farm Credit System Stock Conversion Plan

TO: State Directors, District Directors, and County  
Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance on how the Farm Credit System's (FCS) new stock conversion plan will impact Farmers Home Administration (FmHA) direct loan programs. The intended outcome is to assure the proper application of refunds received from the conversion of FCS stock on which FmHA holds an assignment.

COMPARISON WITH PREVIOUS AN:

No previous ANs have been issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

FCS has offered a program which reduces the amount of stock required for new and existing loans. In some districts the program reduces the required amount of stock to \$1000 or 2 percent of the loan principal, whichever is less. The reduction of stock requirements may result in a refund for some FmHA borrowers. For example, if an existing borrower currently holds \$15,000 worth of stock under the old stock requirements, the borrower may request to convert to the new, minimum stock plan, reducing the stock requirements to \$1000. The \$14,000 stock refund may be applied to the FCS loan principal balance, placed in FCS payment funds accounts, applied as a regular payment, or be refunded in cash.

In cases where creditors (including FmHA) have an assignment or security interest in the stock, any refund would be applied according to lien priority. In most cases, we

EXPIRATION DATE: September 30, 1990

FILING INSTRUCTIONS:  
Preceding FmHA  
Instruction 1962-A



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Secretary of Agriculture, Washington, D.C. 20250

expect that stock refund proceeds will be applied to the FCS and/or to the FmHA accounts. Section 1962.17 of FmHA Instruction 1962-A, provides guidance as to the proper use of proceeds from this type of transaction.

FCS stock requirements vary from district to district. County Supervisors should immediately contact the local FCS Office to see what changes, if any, have occurred in the stock requirements of their FCS District.

  
NEAL SOX JOHNSON  
Acting Administrator

Sent by Time Delay Option to States at 2:00 pm on 10/31 ; to Districts at 4:00 pm on 10/31 ; and Counties at 9:00 am on 11/01 by ASD.