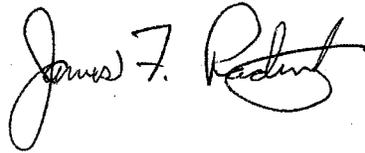


UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Direct Loanmaking 3-FLP (Revision 2)	Amendment 19
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Approved by: Acting Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 431 A has been amended to clarify the loan disbursement process.

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3, 4	16-97, 16-98	

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Section 4 Actions After Loan Closing

431 Disbursing Funds

A When and How Loan Funds are Disbursed

[7 CFR 764.402(e)(3)] The Agency or closing agent will be responsible for disbursing loan funds. The electronic funds transfer process, followed by Treasury checks, is the Agency's preferred methods of loan funds disbursement. The Agency will use these processes to disburse loan proceeds directly to creditors being refinanced with loan funds, to sellers of chattel property being acquired with loan funds, or directly to the borrower's personal bank account. A supervised bank account will be used according to Subpart B of part 761 of this chapter (1-FLP, Part 4) only when these processes are not practicable.

Note: FSA has added the applicant as an approved recipient of loan proceeds by EFT or Treasury Checks for loan disbursements. This practice may be implemented immediately and will be included in an upcoming CFR update.

The authorized agency official or closing agent may disburse loan funds in a lump sum or in multiple disbursements. CL's that are for a project taking multiple years will be funded by multiple disbursements.

The authorized agency official or closing agent normally will not disburse loan funds before filing and recording the security instruments. The authorized official or closing agent may disburse loan funds for real estate loans after all documents are signed but before actual recording of the mortgage.

Loan funds may be placed in escrow until necessary instruments are recorded; however, development funds may be placed in escrow only with the approval of the authorized agency official.

Loan funds for payment of a lien may be disbursed only upon the recording of a discharge, satisfaction, or releasing prior lien interests or assignment where necessary to protect FSA's interests.

Closing agents should provide FSA an itemized accounting of loan proceeds using any format that provides all required information necessary to fully account for loan proceeds.

B Handling Loan Funds

If loan funds are received and the loan cannot be closed within 20 workdays from the date the funds were received, the authorized agency official will return or cancel the funds according to 3-FI. The authorized agency official will document the new closing date to which the applicant has agreed in the running record.

432 Review Closing Documents

A General

The authorized agency official must review the closing documents to ensure accuracy and completeness, and if necessary, to take corrective action.

Note: This does not relieve the closing agent from their legal responsibilities.

B DLS

Once the loan is closed, the authorized agency official will enter the final information about the loanmaking process into DLS.

See 1-FLP for general information on DLS.

C Loan Classification

The authorized agency official must classify a new loan, including CL's, within 10 calendar days of loan closing.

See 1-FLP, Part 8 for instructions on loan classification.