

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

**Regular Direct Loan Servicing  
4-FLP**

**Amendment 8**

**Approved by:** Deputy Administrator, Farm Loan Programs



**Amendment Transmittal**

**A Reason for Amendment**

Subparagraphs 166 B, 212 B, 231 C, and Exhibit 30 have been amended to add the newly established Senior Farm Loan Officer (SFLO) position references.

| <b>Page Control Chart</b> |  |                |
|---------------------------|--|----------------|
| <b>TC</b>                 | <b>Text</b>                            | <b>Exhibit</b> |
|                           | 7-11 through 7-30<br>7-63, 7-64<br>8-3 | 30, page 1     |



**166 Releasing Security Interest****A Lien Release General Requirements**

**[7 CFR 765.305(a)] When Agency security is sold, exchanged, or consumed in accordance with the agreement for the use of proceeds, the Agency will release its security interest to the extent of the value of the security disposed.**

**B Specific Security Item Releases**

When releasing specific items that must be recorded under UCC or chattel mortgage laws, the authorized agency official will use FSA-2470 or other form approved by OGC and required by State law. However, FSA may not deliver the actual release until 15 calendar days after receiving the payment unless the payment is made in cash, money order, certified check, or check from a known and reputable lender. When SED's must approve a \*-transaction or when FLM, SFLO, or DD want advice on approval of a transaction, the--\* borrower's case folder and any other information pertinent to the transaction will be sent to the State Office. The authorized agency official must ensure that only specific items are released.

**Note:** When specific items are listed on FSA-2028, the authorized agency official **must** record the disposition on the working copy of FSA-2028 and FSA-2040.

**166 Releasing Security Interest (Continued)**

**C Releasing Wool and Mohair Lien Conditions**

**[7 CFR 765.305(b)] Security interests on wool and mohair may be released when the security is marketed by consignment, provided all of the following conditions are met:**

- (1) The borrower assigns to the Agency the proceeds of any advances made, or to be made, on the wool or mohair by the broker, less shipping, handling, processing, and marketing costs;**
- (2) The borrower assigns to the Agency the proceeds of the sale of the wool or mohair, less any remaining costs in shipping, handling, processing, and marketing, and less the amount of any advance (including any interest which may have accrued on the advance) made by the broker against the wool or mohair; and**
- (3) The borrower and broker agree that the net proceeds of any advances on, or sale of, the wool or mohair will be paid by checks made payable jointly to the borrower and the Agency.**

The authorized agency official may execute releases of FSA's lien on wool and mohair on FSA-2465. As FSA-2465 is not a binding agreement until executed by all parties in interest, including the borrower, the broker, and FSA. The authorized agency official may execute it before other parties.

**167-180 (Reserved)**

## Section 4 Transferring Quotas

## 211 Requirements

## A Basic Policy

FP regulates how quotas may be moved from farm to farm. However, when FSA is the lienholder on allotments or quotas tied to FSA real estate collateral, FSA treats quotas as any other basic security. See paragraph 196. The authorized agency official must protect FSA's security interest in a borrower sale or lease of allotments or quotas that affect borrower security, operational feasibility, or both.

Borrowers must use FSA-2060 to apply for consideration under this Part.

## B Quota Sales

**[7 CFR 765.351(e)(2)] The sale of an allotment must comply with all conditions of this subpart.**

FSA considers a sale of an allotment as a sale of a portion of the security. See paragraph 196.

## C Quota Leases

**[7 CFR 765.351(e)(1)] The Agency will not approve any crop allotment lease that will adversely affect its security interest.**

The authorized agency official may approve a quota lease for a period not to exceed 1 year, if the terms of the lease will not adversely affect the loan. DD's may approve quota leases that exceed 1 year. FSA requires the borrower to assign the rental proceeds to FSA. Allotment leases may be for all or a portion of the total allotment.

## D Allotment/Quota Transfers

**[7 CFR 765.351(e)(3)] The borrower may transfer crop allotments to another farm owned or controlled by the borrower. Such transfer will be treated as a lease under § 765.252 (subparagraph 99 E).**

The authorized agency official should process allotment/quota transfers according to subparagraph C.

**212 TTPP Payments****A Future TTPP Payments to Borrowers**

FLP has a lien on future TTPP payments made to FLP borrowers. This lien is established by FSA-2028, real estate mortgage, deed of trust, or any instrument granting FSA a lien on such proceeds or payments.

If borrowers retain TTPP contracts and receive payments annually, the annual TTPP payments are normal income security and should be projected on FBP and shown on FSA-2040.

**B Releasing Payments to Purchasers**

If borrowers want to sell a contract to a third party investor, the purchaser must make the payment payable jointly to the borrower and FSA to obtain a lien release from FSA. The proceeds distribution will be recorded on FSA-2040 according to the following.

For borrowers who are current on all FLP loans:

- the proceeds will be applied to the borrower's next annual FLP installment on all loans according to Part 5
- any remaining funds will be released as normal income security or applied as an extra payment on the borrower's FLP debt as the borrower wants.

For borrowers who are past due on any FLP loan, proceeds will be applied according to the following:

- first to past due loans until they are current
- second to the next annual FLP installment on all loans according to Part 5
- any remaining funds will be released as normal income security or applied as an extra payment on the borrower's FLP debt as the borrower wants.

\*--After delivery of the funds to FSA for application, FLM or SFLO will prepare FSA-2470--\* according to subparagraph 166 B or other format approved by OGC and required by State law, releasing only the specifically identified TTPP payments to the purchaser.

**213-230 (Reserved)**

**231 Withdrawal Requirements (Continued)**

**C Approval Authority**

When FSA's debt plus prior liens, less the market value, is \$1 million or more (including principal, interest, and other charges), FSA-2080's must be approved by the Administrator or \*--designee. FLM's or SFLO's may approve FSA-2080's when all FLP security is--\* transferred and the total outstanding FLP debt is assumed; otherwise, SED's must approve FSA-2080's. All cases requiring FSA-2080's from SED's will be submitted for review or debt settlement under RD Instruction 1956-B.

If the borrower is delinquent, FSA will consider FSA-2080's according to 5-FLP, subparagraph 84 D.

**232-245 (Reserved)**



**Change in List of FSA Borrowers**

\*--This notification, or Exhibit 29 at the discretion of FLM or SFLO, will be updated at least--\* annually as required, to ensure that purchasers are aware of the Government's security interests. Go to <http://165.221.16.90/dam/ffasforms/forms.html>, CLICK "Find Current Forms Using Our Form Number Search", in Form Number block, type, "4-FLP Exhibit 30", and CLICK "Submit".

**4-FLP, Exhibit 30**

(Use Agency Letterhead format with local return address.)

**CHANGE IN LIST OF FARM SERVICE AGENCY BORROWERS**

Dear Buyer,

With regard to the List of Farm Service Agency Borrowers forwarded to you on \_\_\_\_\_, please add or delete the names as noted below. Attached, please find complete information on those borrowers being added

Add

Delete

As security for such loans, these borrowers have executed in favor of the United States (1) mortgages on crops, livestock, and farm equipment in chattel mortgage states, or (2) financing statements and security agreements on crops, livestock, supplies, other farm products, farm equipment and inventory and on the proceeds and products thereof in Uniform Commercial Code States. The appropriate instruments are filed or recorded in the place and manner prescribed by law.

Please contact this office if you have any questions.

Sincerely,

Attachment

