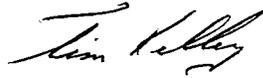


For: County Offices

Interest Assistance Claims NOT FILED WITHIN 1 YEAR

Approved by: State Executive Director



1 Overview

A Background

This Notice replaces MO NOTICE FLP-267, dated 09/14/2005, which expired October 1, 2006.

B Purpose

This Notice supplements MO NOTICE FLP- 349 dated 10/30/2006.

This Notice provides specific information and guidance on how to service Interest Assistance claims where the lender has not submitted ALL of the annual review requirements in accordance with 2-FLP Handbook, Par.228 (7 CFR 762.150) **WITHIN NINE (9) MONTHS** of the annual review/anniversary date.

C Contact

Any questions concerning this Notice should be directed to the Farm Loan Programs Section in the State Office.

D Filing Instructions

A copy of this Notice should be filed preceding 2-FLP Handbook.

Disposal Date October 1, 2008	Distribution Farm Loan Teams, County Offices, AFLSs, DDs, CORs
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2 Action

A National Office Clarification

2-FLP Handbook, Par.228 F, "Rules for IA Claims, "states:

"If the review is not completed and submitted to the Agency within 1 year of the review date, no claim will be paid for that period.

National Office has clarified that this means that only the amount of interest assistance subsidy owed the lender for the current claim period could be cancelled. FSA-1980-64, "Interest Assistance Agreement," will remain in effect with zero (0%) interest assist approved/established for the next claim period.

B Notification

See 2-FLP Handbook, Par.228 (7 CFR 762.150), for all of the annual review requirements for IA payment or continuation requests. The County Office will provide the following minimum notification requirements to all lenders (SEL, CLP, and PLP) that have not filed and/or provided the required IA renewal information within 9 months of the annual review date:

1. **1st Notice** - Within 60-90 days of the 12 month IA expiration, send a letter to the lender by regular mail. The letter must address in detail what information is still required in order for the Agency to process the IA claim.
2. **Final Notice** - At least 30 days prior to the 12 month IA expiration, send a second letter to both the lender and borrower by regular mail. The letter must address in detail what information is still required in order for the Agency to process the IA claim.

Inform the lender that this is the final notice before FSA automatic cancels the 4% interest assistance subsidy owed to the lender for the claim period [*Insert M/D/Y to M/D/Y*]. This loan will also not be ineligible to receive interest assistance for the next claim period [*Insert M/D/Y to M/D/Y*]. The agency's regulations 7 CR 762.150 mandates that interest assistance claims that are not filed within 12 months of the anniversary date will not be paid to the lender.

We recommend a courtesy follow-up phone call. Document in RR.

Form 1980-64, "Interest Assistance Agreement," is loan specific and all guaranteed loan(s) affected by the IA notice must be addressed in the letter.

A National Office OGC legal opinion states if the guaranteed lender fails to submit an IA claim within 12 months of the anniversary date of the IA Agreement as required by 7 CFR 762.150(d), FSA will not send a denial letter to the lender since FSA has not taken any adverse action. The lender/borrower is not entitled to appeal rights. If the lender submits an IA claim after the 12 month anniversary date, the IA claim will be denied and the lender provided with appeal rights.

C GLS Processing FSA-1980-24

When the lender fails to file IA claims within 12 months of the IA anniversary date and after the lender has been properly notified as per paragraph B the county office will service the IA loan as follows:

1. Do not send a denial letter to the lender and/or borrower.
2. Form FSA-1980-24 will be processed through GLS with a:
 - Zero (\$0.00) payment (lender fault) or pay the amount owed (borrower fault) shown in Block #12 - Interest Payable for the current claim period shown in Block #8 and #9.
 - Zero (0%) percent interest assistance subsidy established in Block #21-Percent of Assistance Requested for Next Period.

D Lender Forfeiture of IA Payments: “Lender Fault”

If “**lender fault**,” zero (\$0.00) IA subsidy is owed. Any interest assistance subsidy owed the lender is cancelled and permanently forfeited. FSA-1980-64 “Interest Assistance Agreement” is considered an allonge/modification agreement to the promissory note. Process FSA-1980-24 as per C above.

Note: Since the lender requested and the Agency approved the 4% IA subsidy for the prior claim period, regardless whether or not the lender gets paid, the borrower is to pay only the reduced or borrower’s effective interest rate.

$$\text{Borrower's effective interest rate} = \boxed{\text{Promissory Note full note interest rate} - 4\% \text{ FSA interest assistance subsidy}}$$

E Lender Documentation: “Borrower Fault”

If “**borrower fault**,” the lender can protect itself by notifying the borrower(s), in writing, of the required interest assistance renewal information that the borrower must provide in order for the lender to submit the interest assistance subsidy claim to FSA as per 2-FLP Handbook, Par. 228A, “Request for IA Payment and Renewal.”

If the lender submits the IA claim form (FSA-1980-24) to the agency for payment within the 12 month of the anniversary date, then the lender can be paid for the current IA claim period if the following documentation is provided to FSA:

- lender adequately notified the borrower (preferably 2 letters).
- borrower notifications addressed in detail all of the interest assistance subsidy renewal requirements.

The evidence must support that the borrower(s) were the responsible party that failed to provide the required interest assistance subsidy renewal information within the 12 month annual review date. Process FSA-1980-24 as per C above.