

For: State and County Offices

Determining Years of Farm Ownership (FO) Loan Eligibility

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

The Consolidated Farm and Rural Development Act, Section 302(b)(1)(C), imposes term limit requirements for direct FO loans. The limitation affects anyone who has signed a promissory note for a direct FO loan.

Note: The Agricultural Risk Protection Act of 2000 suspended Operating loan term limits but did not affect the FO limitation. Refer to Notice FLP-137 for additional guidance.

B Purpose

This notice:

- clarifies the eligibility limitations for new applicants and existing borrowers who apply for direct FO loans after April 4, 1996
- reminds loan approval officials to notify borrowers of the limitation on direct FO loan eligibility.

C Contact

If there are questions about this notice, State Offices shall contact Pat Spalding, LMD at 202-720-1472.

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| <p>Disposal Date</p> <p>November 1, 2002</p> | <p>Distribution</p> <p>State Offices; State Offices relay to County Offices</p> |
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Notice FLP-188

2 Action

A New Borrowers

The following apply to applicants who have **never** received a direct FO loan.

- A borrower is limited to 10 years of eligibility beginning from the date the first direct FO loan is **closed**.
- Any subsequent direct FO loans must be **closed** during this 10-year window.

Example: A borrower closes a direct FO loan on February 10, 2001. If the loan is still outstanding on April 10, 2004, 3 years and 2 months of eligibility have been used. The borrower is eligible for additional direct FO loans until February 10, 2011.

B Existing Borrowers

The following apply to existing borrowers who have received direct FO loans.

- If, as of April 4, 1996, a borrower had direct FO loans outstanding for 5 or more years, regardless of the number of loans received or outstanding, the borrower is eligible for additional direct farm FO loans until April 4, 2001.

Example: A borrower received a direct FO loan on February 20, 1989, and another in 1994. As of April 1996, the borrower had direct FO loan indebtedness outstanding for 8 years (1989 through 1996). The borrower is eligible for additional direct FO loans until April 4, 2001.

- If, as of April 4, 1996, a borrower had direct FO loans outstanding for less than 5 years, regardless of the number of loans received or outstanding, the borrower is eligible for additional direct FO loans until April 4, 2006.

Example: A borrower received a direct FO loan on June 28, 1994. As of April 4, 1996, the borrower had direct FO loan indebtedness outstanding for 3 years (1994 through 1996). The borrower is eligible for additional direct FO loans until April 4, 2006.

C Loan Approval Official Action

According to RD Instruction 1951-F, section 1951.262(a), loan approval officials shall ensure that borrowers have been properly notified of their lifetime eligibility limitations and have been sent FSA Guide Letter 1951-F-8.
