

**For:** State and County Offices

**Graduation of Minor Program Loans**

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



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**1 Overview**

**A**

**Background**

RD Instruction 1951-F provides that specified Minor Program loans require a graduation review. Minor Program loans include:

- Indian Tribal Land Acquisition Program (ITLAP)
  - grazing associations
  - irrigation and drainage
  - nonfarm enterprise
  - recreation loans to individuals.
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**B**

**Purpose**

This notice provides guidance to State and County Offices on graduation servicing for Minor Program borrowers.

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**C**

**Contact**

For further information about this notice, contact Mel Thompson, LSPMD at 202-720-7862.

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<b>Disposal Date</b>	<b>Distribution</b>
January 1, 2004 11-4-02	State Offices; State Offices relay to County Offices <b>Page 1</b>

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### 2 Action

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#### A DD's Responsibilities

DD's are responsible for completing graduation reviews of the following loan types:

- ITLAP
- grazing associations
- irrigation and drainage.

When completing graduation reviews, DD's shall:

- meet with lenders to discuss their underwriting criteria and identify those interested in refinancing Agency loans

**Note:** Discussions shall be documented in the operational file and will include a narrative identifying the lender's interest in refinancing Agency borrowers; lender's rates, terms, fees, loan conditions, and policies; and the amount of estimated credit available to Agency borrowers.

- request financial information from the borrower including, at minimum, the most recent financial statement and cash flow statement
- request borrowers to graduate who meet the established commercial lending criteria
- review cases for acceleration and foreclosure according to RD Instruction 1951-F, section 1951.264 for those borrowers who either are eligible for graduation but refuse to graduate, or for those borrowers who fail to provide the requested financial information
- complete a report on graduation activities including:
  - name of the borrower
  - reasons for requesting or not requesting the borrower to graduate
  - action taken to graduate borrowers who appear to have the ability to refinance the Agency debt
  - result of the graduation review

**Note:** The DD's report to SED will include the graduation activity report for borrowers with nonfarm enterprise and individual recreation loans completed by FLM.

- send the report on graduation activities to SED by December 3, 2002.

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### 2 Action (Continued)

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#### **B FLM Responsibilities**

FLM's are responsible for:

- assisting DD in the graduation review for Minor Program loan borrowers identified in subparagraph A
- completing graduation reviews of borrowers with nonfarm enterprise loans and recreation loans to individuals.

When completing graduation reviews, FLM's shall:

- meet with lenders to discuss their underwriting criteria and assess their interest in refinancing Agency loans
  - keep a record of lender contacts and information gathered in operational files
  - request financial information from borrowers to make an initial assessment of the borrower's ability to graduate
  - request borrowers who meet the established commercial lending criteria to attempt to graduate
  - review cases for acceleration and foreclosure according to RD Instruction 1951-F, section 1951.264 for those borrowers who either are eligible for graduation but refuse to graduate, or for those borrowers who fail to provide the requested financial information
  - complete a report on graduation activities for nonfarm enterprise borrowers and recreation loans to individuals and provide that report to DD by November 22, 2002.
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#### **C State Office Responsibilities**

Farm Loan Chief will review the graduation activity reports submitted to SED by DD's for compliance with RD Instruction 1951-F. Any deficiencies noted in the graduation review will be addressed. The final report will be submitted by SED to DAFLP by February 7, 2003.

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