

For: State and County Offices

Considering FSA Farm Program Payments When Processing Emergency (EM) and Operating (OL) Loans and Determining Crop Year 2005 Cash Flow Projections

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



1 Overview

A Background

FSA provides farm program payment assistance to producers who have experienced financial difficulty. Payments are issued to eligible producers to provide relief when there has been a loss of income because of weather-related disasters, other emergency conditions, and low commodity prices. Projected program payments to be received by producers may be included in their crop year 2005 cash flow analysis.

B Purpose

This notice provides guidance on:

- estimating program payments when processing, approving, and closing EM and OL loans
- including program payments when developing a farm business plan (FBP)
- taking assignments on program disaster payments related to EM loan assistance
- releasing assignments on disaster payments not related to EM loan assistance.

C Contact

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact Mike Hinton or Orlando Kilcrease at 202-720-1472.

Disposal Date	Distribution
January 1, 2006	State Offices; State Offices relay to County Offices

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2 Considering Program Payments When Processing EM and OL Loans

A Processing EM and OL Loans

Loan approval officials shall:

- continue to process loan applications in a timely manner
- upon receipt of an application, request that CED in each local office where Crop Disaster Program (CDP) and other program payment applications have been filed, to provide the applicant's payment entitlement report

Note: Payments projected and included in the FBP cash flow must be within the payment limitation rules.

CED's shall:

- consider CDP and other program payment applications from applicants who are seeking EM and OL loans a priority when determining CDP and other program payment eligibility
- within 5 workdays of a request from the loan approval official, complete the calculation of CDP and other program payments, per the applicant's payment entitlement report, for which the applicant has applied for payment assistance.

Note: Applicants have the choice of electing 2003 or 2004 crop year for which crop disaster and other disaster-related payments will be determined. Assignments will not be taken on crop disaster and other disaster-related payments for crop year 2003, if the EM loan is based on 2004 crops or livestock.

B CDP

Loan approval officials shall:

- include CDP payment, if known, on FSA-1945-26, items C(2) and D(2), when determining EM loan amounts
- complete CCC-36, assigning future CDP and other disaster related payments to FSA, for the applicant's signature at loan closing, if the CDP payment is not known during EM loan processing
- release assignment held by the Agency when payment is made available to the applicant, if it is determined after closing EM loan that the CDP payment and EM loan are not related.

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2 Considering Program Payments When Processing EM and OL Loans (Continued)

C Tree Assistance Program (TAP)

TAP payments:

- may be provided to owners of eligible trees, bushes, and vines from which an annual crop is produced for commercial purposes
- may be provided to forest land owners who produce crops of timber for commercial purposes
- may be provided to pecan producers who suffered damage or loss to pecan trees
- are disaster payments and will be considered when determining EM loan amounts
- will be calculated by using the rates established and announced under TAP.

D Livestock Assistance Program (LAP)

LAP payments:

- may be provided to livestock producers
- are disaster payments and will be considered when determining EM loan amounts
- will be calculated by using the same formula as previously used for the program
- may be provided to applicants if a county was declared or designated a disaster in either crop year 2003 or 2004 and meets grazing loss criteria established under LAP

Note: Applicants may elect to receive a LAP payment for either crop year 2003 or 2004, but not both.

- will be assigned to FSA if LAP payment is not known during EM loan processing

Note: Loan approval officials shall complete CCC-36 for the applicant's signature at loan closing. CCC-36 will cover future LAP and other disaster related payments.

- will be released from assignment given to FSA when payment is made available to the applicant if it is determined after closing EM loan that the LAP payment and EM loan are not related.

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2 Considering Program Payments When Processing EM and OL Loans (Continued)

E American Indian Livestock Feed Program (AILFP)

AILFP payments:

- may be provided to eligible livestock producers who grazed livestock on tribal-governed land during the disaster period

Note: Eligible livestock include the following:

- beef and dairy cattle
 - buffalo, and beefalo maintained on the same basis as beef cattle
 - equine animals used for food or used directly in the production of food
 - sheep
 - goats
 - swine
 - elk
 - reindeer.
- are disaster payments and will be considered when determining EM loan amounts
 - will be calculated by using the rates established and announced under the program.

Note: Payments will be considered for losses occurred during crop years 2003 and 2004. Producers who are eligible for both years must select 1 of the years to receive payments. Producers can receive both LAP and AILFP payments. However, the same year must be selected for both programs.

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3 Closing EM and OL Loans with Program Payments

A EM and OL Loan Closing

Loan approval officials shall:

- include as a loan closing condition on RD 1940-1, item 35, the following statement, “The applicant agrees to assign any future CDP and any other disaster related program payments above the amount included on FSA 1945-26, items C2 and D2, for the same loss to FSA as an extra payment on this loan”

Note: 3-FLP, subparagraph 163 P requires an applicant to repay any duplicate Federal assistance to the Agency providing such assistance. An applicant receiving Federal assistance for a major disaster or emergency is liable to the United States to the extent that the assistance duplicates benefits available to the applicant for the same purpose from another source.

- continue to close OL loans according to FmHA Instruction 1941-B.

4 Considering Program Payments When Developing FBP

A Developing FBP

Loan approval officials shall:

- determine whether the applicant has applied and may be eligible to receive program payment assistance
- contact CED to determine the amount of program payment assistance the applicant has received or can expect to receive during the planning period
- include typical program payments and subsidies that are included in the President’s annual appropriations budget in 2005 FBP cash flow projections.

Loan approval officials shall not:

- include any disaster related payments in the cash flow projections of long range and/or typical year plans, as disasters and any related payment assistance are ad-hoc and not considered typical for a farming operation

Note: Disaster program payment assistance provided under the Emergency Supplemental Appropriations for Hurricane Disasters Assistance Act of 2005 can only be included in 2005 FBP cash flow projections.

- include any one-time payment assistance appropriated as a result of special legislation by Congress and the President in the cash flow projections of long range and/or typical year plans, as one-time payment assistance is not considered typical for a farming operation.