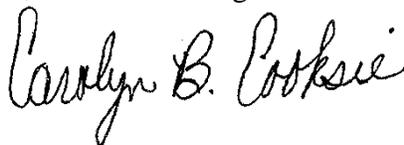


For: State and County Offices

Servicing FSA-1951-39's

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

The Debt for Nature Conservation Contract Program sets aside land in a conservation contract in exchange for canceled FLP debt. The program is administered according to the regulations found at 7 CFR Part 1951, subpart S, Exhibit H. FSA-1951-39 identifies the terms and conditions of the contract and consequences for violations; however, both the regulations and FSA-1951-39 are silent regarding routine servicing to ensure contract compliance.

B Purpose

This notice:

- establishes FSA responsibilities to inspect and service existing FSA-1951-39's
- establishes procedures for safeguarding contract documents
- provides guidance on notifying new owners if the property is transferred.

C Contact

If there are any questions about this notice, contact Mel Thompson, LSPMD, at 202-720-7862.

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

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2 Inspections

A Existing FLP Borrowers

Inspections for compliance with FSA-1951-39's will be completed concurrently with other required FLP inspections, including annual chattel inspections, crop inspections, and real estate inspections. Inspections will be conducted as follows:

- contract boundaries should be verified using available maps, surveys, legal descriptions, and farm photographs or other documentation that delineates the boundaries

Note: FLM's may wish to add FSA-1951-39's to the aerial photography spot check list.

- compliance with the contract conservation plan must be ascertained and any prohibited activity, as described in FSA-1951-39 and the conservation plan, identified
- any violations will be handled according to remedies identified in FSA-1951-39
- results of the inspection will be documented in the case file running record.

B Former FLP Borrowers and Successors in Interest

When the FSA-1951-39 borrower is no longer indebted to FSA or the property is transferred to a party not indebted to FSA, inspections to ascertain contract compliance must be made at least every third year for the life of the contract. Inspections will be conducted every third year as described in subparagraph A.

The contract holder must be contacted annually to determine whether the conservation property has been sold or transferred. If the property has been transferred, the new owner must be notified of the contract responsibilities and ramifications of any contract violations within 30 calendar days of notification of transfer. If necessary, a copy of the contract will be provided to the new owner.

Contact with the new owner will be documented in the case file running record with a copy attached to the original contract.

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3 Records and Documents

A FSA-1951-39

The original FSA-1951-39 including attachments should be kept in a locking-type, fire-resistant cabinet in a folder identified as “Debt for Nature Conservation Contracts”. A copy will be kept in the case file.

B Case File

The case file will be maintained according to 25-AS, subparagraph 88 C.

If all outstanding debts have been satisfied:

- mark the label of the case file “Conservation Easement Only” or “Conservation Contract Only”, as appropriate

Note: For ease of identification, color coding the file label is appropriate.

- maintain the case file with other active case files
- satisfy security instruments and return paid-in-full promissory notes according to RD Instruction 1951-D
- once the conservation contract has matured, FSA-1951-39 should be dated and marked “satisfied” and returned to the existing contract property owner. The case file will be marked “CLOSED CASE” and disposed of according to 25-AS, subparagraph 89 D.