

For: FSA Offices

**Farm Loan Programs (FLP) Lien on Tobacco Transition Payment Program (TTPP) and
Releasing TTPP Lien for Third Party Purchasers of Contracts**

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

Under TTPP, annual payments are made to tobacco quota holders and producers. TTPP was announced by FSA on October 25, 2004. Notice TB-1111 provided Tobacco State and County Offices with the preliminary provisions of TTPP.

Under this program, in addition to the quota holder or producer (payees) taking the annual payment, third party purchasers (purchasers) can offer lump sum payments to the payees for their contracts. This lump sum payment is subject to FLP liens under the terms of FLP security instruments.

B Purpose

This notice:

- clarifies FLP policy on future TTPP payments to borrowers
- specifies the conditions under which FLP will release its lien on the lump sum payment that is made by the purchaser
- describes the procedures to release the FLP lien when all conditions are met.

C Contact

County Offices shall contact the State Office with any questions. State Offices shall contact Veldon Hall or James Rowe, LSPMD at 202-720-4572.

Disposal Date

October 1, 2006

Distribution

All FSA Offices; State Offices relay to County Offices

Notice FLP-402

2 Future TTPP Payments to Borrowers

A FSA Lien

FLP has a lien on the future TTPP payments made to FLP borrowers. This lien is established by the FLP security agreement, real estate mortgage, deed of trust, or any instrument granting FSA a lien on this type of proceed or payment.

The annual TTPP payment should be projected on the Farm Business Plan and shown on FSA-1962-1.

3 Releasing Payments to Purchasers

A All Borrowers

To obtain a release of lien from FSA, the purchaser must make the payment payable jointly to the borrower and FSA. Proceeds will be applied according to subparagraph B or C, as appropriate. Requests for releases for essential family living and farm operating expenses will be processed according to RD Instruction 1962-A, Section 1962.17(b). The distribution of proceeds will be recorded on FSA-1962-1.

B Current Borrowers

For borrowers who are current on all FLP loans:

- proceeds will be applied to the borrower's next annual FLP installment on all loans according to RD Instruction 1951-A
- any remaining funds will be released as normal income security or applied as an extra payment on the borrower's FLP debt as the borrower wishes.

C Past Due Borrowers

For borrowers who are past due on any FLP loan:

- proceeds will be applied to the borrower's:
 - past due amount until they are current
 - next annual FLP installment on all loans according to RD Instruction 1951-A
- any remaining funds will be released as normal income security or applied as an extra payment on the borrower's FLP debt as the borrower wishes.

D Execution of Release

Upon the delivery of the funds to FSA for application, FLM will prepare RD 460-1 according to RD Instruction 1962-A, Section 1962.17(d)(1) and FMI (or other form approved by OGC and required by State law) releasing only the specifically identified TTPP payments to the purchaser.