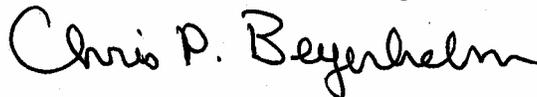


**For:** State and County Offices

**Implementing the Food, Conservation, and Energy Act of 2008 (2008 Act) Provisions  
That Affect Loanmaking**

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



**1 Overview**

**A Background**

The 2008 Act that became law on May 22, 2008, included numerous revisions to the statute governing FLP's.

These revisions impact many of the authorities and requirements for making and servicing FSA farm loans.

**B Purpose**

This notice provides information on and guidance for implementing 2008 Act provisions that modify loanmaking requirements and procedures and are effective immediately. A forthcoming FLP notice will provide information for loan servicing and property management issues.

FLP handbooks will be amended to incorporate these revisions. Regulations will be written to implement the remaining statutory changes included in the legislation.

**C Contact**

Direct questions about this notice to LMD at 202-720-1632.

<p><b>Disposal Date</b></p> <p>January 1, 2009</p>	<p><b>Distribution</b></p> <p>State Offices; State Offices relay to County Offices</p>
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## Notice FLP-507

### 2 Statutory Changes to Direct Loan Programs

#### A Statutory Changes to Direct Farm Ownership (FO) and Operating Loan (OL) Limits

Effective immediately, the following provisions apply in the direct FO and OL program.

- **Increased Loan Limit.** The maximum loan amount authorized for direct FO assistance is increased from \$200,000 to \$300,000.
- **Increased Loan Limit.** The maximum loan amount authorized for direct OL assistance is increased from \$200,000 to \$300,000.
- **Loan Approval Authority.** Loan approval authorities will be amended in 1-FLP. In the meantime, SED's will continue to approve any direct FO or OL loan exceeding \$175,000.

#### B Statutory Changes to Direct FO Down Payment Loan Program

Effective immediately, the following provisions apply in the direct FO down payment loan program.

- **Down Payment Loan Program Applicants.** Socially disadvantaged farmers and ranchers are now eligible in addition to qualified beginning farmers and ranchers for exclusive use of this program.
- **Interest Rate Change.** The interest rate is the direct FO rate less 4 percent, or 1.5 percent, whichever is greater.
- **Increased Loan Limit.** The maximum loan amount is changed from \$100,000 to an amount **not** to exceed 45 percent of the least of the following:
  - the purchase price of the farm or ranch to be acquired
  - the appraised value of the farm or ranch to be acquired
  - \$500,000.

**Note:** This will result in a maximum loan of \$225,000 (45 percent of \$500,000). There is no longer a limitation on the purchase price.

- **Term of Loan.** The maximum loan term is extended from 15 years to 20 years.
- **Amount of Down Payment.** The required down payment amount is reduced from 10 percent to 5 percent.

## Notice FLP-507

### 3 Statutory Changes to Guaranteed Loan Programs

#### A Statutory Changes to Guaranteed OL Program

Effective immediately, the guaranteed OL term limit waiver is extended through December 31, 2010. Enforcements of 2-FLP, subparagraphs 108 L and M will be suspended until that date.

#### B Statutory Changes to Beginning Farmer Land Contract Guaranteed Pilot Program (Pilot Program)

Applications will **no** longer be accepted or processed under the Pilot Program.

The 2008 Act made the program permanent and expanded eligibility and program features. Regulations will be written to implement the new program. Existing guarantees made under the Pilot Program will continue to be serviced according to the guarantee agreements, but until a final rule is published, **no** applications will be processed.