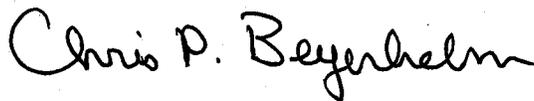


**For:** State and County Offices

**15-Year Guaranteed OL Term Limit**

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



**1 Overview**

**A Background**

Section 319(b) [7 U.S.C. 1949(b)] of the Consolidated Farm and Rural Development Act prohibits a borrower from receiving guaranteed OL's if the borrower has received guaranteed or direct OL's in 15 or more years according to 2-FLP, subparagraphs 108 L and M. Section 5103 of the Food, Conservation, and Energy Act of 2008 (Pub. L. 110-246) suspended the term limits until December 31, 2010.

Unless the law is changed, several thousand direct and guaranteed borrowers may no longer be eligible for guaranteed operating loans through FSA after December 31, 2010. This could be critical to a borrower who needs to rely on guaranteed loans for crop needs or term operating needs in 2011.

**B Purpose**

This notice supplements Notice FLP-576 and provides additional guidance on the following:

- notification informing borrowers of the possibility of enforcement of term limits in 2011
- inserting language on the conditional commitment about term limits.

**C Contact**

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact Guaranteed Loan Making Branch at 202-720-3889.

<b>Disposal Date</b>	<b>Distribution</b>
February 1, 2011	State Offices; State Offices relay to County Offices

## Notice FLP-582

### 2 Action

#### A Affected Borrowers

The National Office developed a list of direct and guaranteed borrowers who will be affected by the enforcement of the 15-year term limit. The list was sent by e-mail, password protected, to each FLC on November 4, 2010.

#### B Contacting Guaranteed Borrowers

Exhibit 1 is being sent to all borrowers, with zero years of eligibility remaining, to inform the borrower that the 15-year term limit suspension will expire on December 31, 2010, if the law is not changed to extend the suspension.

**Notes:** The notification will be sent by the Finance Office and should be delivered during the week of December 13, 2010.

State and County Offices should be prepared to respond to questions and inquiries about the notification and the 15-year term limit.

### 3 Follow up Action

#### A County Office

As applications are received, authorized agency officials will review each borrower, using applicable reports from DLS and GLS to determine if the applicant meets the term limit requirements according to 2-FLP, subparagraphs 108 L and M. Authorized agency officials will include the following statement to the affected borrower's conditional commitment.

“A Loan Guarantee cannot be issued after December 31, 2010, without further congressional action because the applicant will no longer be eligible due to statutory operating loan term limitations implemented by §7 C.F.R. 762.122 (b). If the loan is not closed and all lender and FSA actions outlined in 2-FLP, paragraph 247, are not completed on or before December 31, 2010, this conditional commitment becomes null and void.”

If the term limit suspension expires, all applications will be reviewed using applicable reports from DLS and GLS to determine if the applicant meets the term limit requirements according to 2-FLP, subparagraphs 108 L and M.

**Notification Sent to Affected Borrowers**

December 14, 2010

Dear Producer:

The Farm Service Agency (FSA) is glad that we have been able to work with you and your lender to help you obtain credit in the past and would like to take this opportunity to alert you to a potential problem and help you meet your credit needs this year.

In the past, lenders have been able to request a guaranteed loan on your behalf regardless of the number of years that you have received a direct or guaranteed operating loan through FSA. The Agency's authorizing statutes prohibit a borrower from receiving financing through FSA's direct and/or guaranteed operating loan program in 15 or more years. This restriction is called term limits. Based on current law, these term limits have been suspended; however that suspension will expire on December 31, 2010.

December 31, 2010, is quickly approaching and unless the law is changed, term limits must be implemented. FSA has reviewed its records and found that you may be affected because this may eliminate your ability to obtain financing past December 2010, if you are in need of a guaranteed loan to meet your cropping and term operating needs. Loans must be closed prior to December 31, 2010, in order to meet the requirements of the term limits. You should assess your potential credit needs to determine if you will need to close an operating loan prior to the end of the calendar year. If you believe you require additional guaranteed operating credit before the end of this calendar year, please contact your lender to discuss available credit options.

Please be advised that this will not affect any guaranteed line of credit or term operating loans you currently have. It will only affect your eligibility to obtain new guaranteed operating loans.

If you have questions regarding term limits, please contact your local Farm Service Agency loan officer. Thank you again for your participation.

Sincerely,

Chris P. Beyerhelm  
Deputy Administrator for  
Farm Loan Program