

For: State and County Offices

**New FSFL Policy for Collateral Damages and Insurance Proceeds**

Approved by: Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

In response to questions received from State Office employees about FSFL collateral damages and insurance proceeds, the National Office is amending current 1-FSFL, paragraph 233 policies for repairing and replacing FSFL collateral.

When FSFL collateral will be replaced or repaired because of adverse weather conditions, such as but not limited to, hurricanes, tornados, blizzards, derechos, and/or flooding, County Offices are authorized to release 100 percent of the insurance proceeds to borrowers who will replace or repair damages to or destruction of FSFL collateral.

**B Purpose**

This notice provides new guidance for FSFL collateral damaged or destroyed because of adverse weather conditions.

**Notes:** 1-FSFL will be amended to include this policy.

See Exhibit 1 for CCC-101.

**C Contact**

If there are any questions about this notice, contact Toni Williams, PSD, by either of the following:

- email to [FSFLpolicy@usda.gov](mailto:FSFLpolicy@usda.gov)
- telephone at 202-720-2270.

<b>Disposal Date</b>	<b>Distribution</b>
May 1, 2023	State Offices; State Offices relay to County Offices

## Notice FSFL-191

### 2 Repairing or Replacing FSFL Collateral

#### A Collateral Will Be Repaired or Replaced

When collateral is damaged and **will be repaired or replaced**, County Offices must:

- notify producers that approval is **required** before existing FSFL security documents are amended for repair or replacement
- inspect collateral to assess damage (only if determined safe to do so)
- advise borrowers that they may apply for a new FSFL for replacement facilities and equipment
- inspect collateral after repairs or replacements have been completed.

County Offices are authorized to release 100 percent of the insurance proceeds, unless a lesser percentage is established by STC statewide and not on a case-by-case basis, when repairs or replacements are being made to FSFL collateral because of damages caused by adverse weather conditions.

The borrower **must** submit a written request to COC to release the insurance proceeds and agree to the CCC-101 terms and conditions. See Exhibit 1.

COC is authorized to approve or disapprove CCC-101 for any outstanding FSFL amount. After COC approval, the County Office may endorse the insurance check to the borrower to repair or replace the FSFL collateral. COC may delegate authority to CED. All delegations and CCC-101 approvals must be documented in the COC meeting minutes.

All CCC-101 disapprovals must be emailed to the National Office at **FSFLpolicy@usda.gov** within 15 calendar days after CCC-101 was disapproved.

After repairs or replacements are completed, borrowers must present evidence of cost of repairs, including CCC-191's, and the County Office **must** safely inspect the collateral and document the results on CCC-295A or CCC-295C.

If the inspection verifies the collateral was not repaired or replaced properly, State Offices must contact the National Office for additional guidance.

## Notice FSFL-191

### 2 **Repairing or Replacing FSFL Collateral (Continued)**

#### **B Authorized Time for Repairs or Replacements**

FSFL must be repaired or replaced within 1 year of CCC-101 approval. If additional time for repairs is required (up to 6 months), the FSFL borrower is required to contact the local County Office within 15 calendar days, before the 1-year expiration date. COC is authorized to approve or disapprove CCC-101 extensions.

A DAFP waiver, according to 1-FSFL, paragraph 25, is required for extensions beyond 18 months.

CCC will continue to have a lien on the FSFL collateral, and the lien will remain effective until FSFL is paid in full.

The borrower must obtain authorization if the borrower decides to sell the FSFL collateral.

#### **C Authorization to Endorse the Insurance Proceeds to the Borrower**

After CCC-101 approval, CED is authorized to endorse the check to the FSFL borrower for 100 percent of the insurance proceeds to repair or replace the FSFL collateral.

### 3 **Action**

#### **A State Office Action**

State Offices must:

- ensure that County Offices are aware of the contents in this notice
- contact the National Office according to subparagraph 1 C.

#### **B County Office Action**

County Offices must contact the State Office with concerns and questions about this notice.

**CCC-101, Agreement for Use of FSFL Collateral Insurance Proceeds**

**A Instructions for Completing CCC-101**

Complete CCC-101 according to this table.

<b>Item</b>	<b>Instructions</b>
1A-3B	FSA office records items 1A through 3B
4A	Applicant enters the dates the adverse weather occurred resulting in FSFL collateral needing repairs.
4B	Applicant enters amount of insurance proceeds.
5	Applicant completely reads the terms and conditions and spells out the amount of insurance proceeds requested to be released.
6 and 7	Applicant completely reads the terms and conditions of how insurance proceeds are to be used and what records must be kept.
8A	Applicants sign. All borrowers who signed CCC-186 must sign in item 8A.
8B	Person or persons who signed in item 8A enter title, if applicable.
8C	Person or persons who signed in item 8A enter date signed.
9-12	FSA office records items 9 through 12.

CCC-101, Agreement for Use of FSFL Collateral Insurance Proceeds (Continued)

B Example of CCC-101

The following is an example of CCC-101.

CCC-101 (07-11-22)	U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	
<b>AGREEMENT FOR USE OF FSFL COLLATERAL INSURANCE PROCEEDS</b>		
<i>See page 2 for Privacy Act and Paperwork Reduction Act Statements</i>		
<b>FOR COUNTY FSA OFFICE USE ONLY</b>		
1. LOAN IDENTIFICATION NUMBER		
A. State Code	B. County Code	C. Loan Number
2A. Name of FSFL Borrower		2B. Address of FSFL Borrower (Include Zip Code)
2C. Telephone Number (Include Area Code)		2D. Contact Person, if different than borrower in Item 2A.
3A. Outstanding FSFL Amount \$		3B. FSFL Maturity Date (MM-DD-YYYY)

This Agreement is between the Commodity Credit Corporation (CCC) and the undersigned.

I understand that in addition to this Agreement, CCC and I have an effective CCC-186, FSFL Promissory Note and Security Agreement in place which provides additional terms and conditions I must legally adhere to for the outstanding FSFL.

4A. Dates Adverse Weather Occurred Resulting In FSFL Collateral Needing Repairs	4B. Amount of Insurance Proceeds
	\$
	\$
	\$
	\$
	\$

**5. How Insurance Proceeds Will Be Used?**  
 I understand that CCC is releasing to me 100 percent (\$ \_\_\_\_\_) of the insurance proceeds jointly assigned to CCC and myself for repairs and/or replacement of FSFL collateral. I understand these proceeds may only be used for these purposes until FSA verifies through inspection that the collateral was repaired and/or replaced properly.

I understand I have 1-year from the approval date in Item 10C to complete the necessary repairs and/or replacements and must request an inspection by FSA officials of the said collateral to verify that the collateral was properly repaired or replaced within that time. If additional time for repairs is necessary (up to 6 months), I must contact the local FSA County Office within 15 calendar days prior to 1-year from the COC approval date at Item 10C to request such extension.

I understand CCC will continue to have a lien on the collateral securing the above listed FSFLs and the lien will remain effective in accordance with my CCC-186, FSFL Promissory Note and Security Agreement. I understand I am responsible for the cost of amending and refileing the FSFL security documents.

If I decide to sell the FSFL collateral, I will contact the local FSA County Office immediately to discuss my options.

**6. What Records Must I keep?**  
 I must keep records of how I used the insurance proceeds. I must provide records, including CCC-191's to the local FSA County Office on request.

Date Stamp
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CCC-101, Agreement for Use of FSFL Collateral Insurance Proceeds (Continued)

B Example of CCC-101 (Continued)

CCC-101 (07-11-22)

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7. What Happens if I Violate This Agreement?

If I use the insurance proceeds in violation of how such proceeds are required to be used under this Agreement, I will have violated this Agreement and may be required to return any insurance proceeds not previously used in accordance with Item 5 to CCC. CCC may declare the entire indebtedness on the FSFL immediately due and payable under the terms of my CCC-186, FSFL Promissory Note and Security Agreement and 7 CFR 1436.13(e) for failure to maintain the loan collateral in a condition suitable for the storage or handling of a facility loan commodity. I understand that CCC may also bring legal action against me and refer my case for possible criminal actions against me.

8. Signatures

*The signatures acknowledge that I (we) understand this Agreement and will abide by it.*

A. Signature	B. Title	C. Date (MM-DD-YYYY)

APPROVAL/DISAPPROVAL DETERMINATION FOR COUNTY FSA OFFICE USE ONLY

9. COC Determination:  Approved  Disapproved

10A. Name of COC	10B. Signature of COC	10C. Date (MM-DD-YYYY)
	(1) Date (MM-DD-YYYY)	(2) Initial/Date
11A. CCC-101 Expiration Date		
11B. Extension Date		
11C. Date COF Mailed Approved CCC-101 to FSFL Borrower		

12. Remarks

**NOTE:** *The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a - as amended). The authority for requesting the information identified on this form is the Federal Agriculture Improvement and Reform Act of 1996, as amended, the Commodity Credit Corporation Charter Act, as amended (15 USC 714 through 714p) and 7 CFR Part 1436. The information will be used to determine eligibility to participate in and receive benefits under the Farm Storage Facility Loan Program through certification of program costs. The information collected on this form may be disclosed to other Federal, State, Local government agencies, Tribal agencies, and nongovernmental entities that have been authorized access to the information by statute or regulation and/or as described in applicable Routine Uses identified in the System of Records Notice for USDA/FSA-14, Applicant/Borrower. Providing the requested information is voluntary. However, failure to furnish the requested information will result in a determination of ineligibility to participate in and receive benefits under the Farm Storage Facility Loan Program.*

**Paperwork Reduction Act (PRA) Statement.** *This information collection is exempted from the PRA specified in 7 U.S.C. 8781(c)(2). The provisions of criminal and civil fraud, privacy and other statutes may be applicable to the information provided. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.*

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Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410, (2) fax: (202) 690-7442, or (3) email: [program.intake@usda.gov](mailto:program.intake@usda.gov). USDA is an equal opportunity provider, employer, and lender.