

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

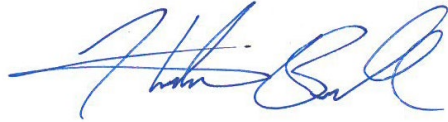
---

**Regular Direct Loan Servicing**  
**4-FLP**

**Amendment 44**

---

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



---

**Amendment Transmittal**

**A Reasons for Amendment**

Paragraphs 4, 96, 116, 162, 182, 282, 291 and Exhibit 25.5 have been amended to update references to “personal property.”

Subparagraph 4 B has been amended to clarify that only SED or Acting SED may submit Administrators Exception requests, that State Office staff must be involved, and to correct the email address for submission of requests.

Paragraph 7 has been amended to revise non-procurement debarment and suspension requirements and references.

Subparagraph 16 B has been amended to reference to subparagraph 19.5 A.

Subparagraph 61 C has been amended regarding processing corrections to previous calendar year payments, and correct the email address for submission of the required annual report of corrections.

Subparagraph 62 B has been amended to include reference to Exhibit 25.6.

Subparagraph 99 D has been amended to state the approval authority and the process for consent to cease operating security.

Subparagraph 99 E has been amended to clarify the approval of real estate leases and address the post-approval of SNDA.

Subparagraph 99 F has been removed

Subparagraph 116 A has been amended to:

- address use of FSA-2062
- clarify the verification of non-farm income and debts.

## **Amendment Transmittal (Continued)**

### **A Reasons for Amendment (Continued)**

Subparagraphs 116 A and 117 A have been amended to clarify eligibility for subordinations.

Subparagraphs 117 A and 118 A have been amended to revise non-procurement debarment and suspension requirements and references.

Subparagraph 120 A has been amended to clarify approval authority for subordinations.

Subparagraph 146 A has been amended to clarify that SED may delegate to FLC, FLS, or DD the approval authority for release without compensation.

Subparagraph 146 D has been amended to clarify requirements for releasing personal property security without monetary compensation.

Subparagraph 146 E has been amended to address a borrower's request to file a UCC-3.

Subparagraph 146 F has been amended to clarify requirements for releasing real estate security without monetary compensation.

Subparagraph 196 A has been amended to clarify that a lien waiver for Farm Programs should be processed as a subordination.

Subparagraph 196 B has been amended to update reference to subparagraph 146 F.

Subparagraph 199 A has been amended to clarify approval of partial releases or exchanges.

Subparagraph 246 A has been amended to revise non-procurement debarment and suspension requirements and references.

Subparagraph 248 C has been amended to move note from 7 CFR 765.402 (b) to 7 CFR 765.402 (c).

Exhibit 2 has been amended to remove definitions of:

- Chattel
- Chattel Security

Exhibit 25.6 has been added to provide examples of how to complete FSA-2061.

**Amendment Transmittal (Continued)**

<b>Page Control Chart</b>		
<b>TC</b>	<b>Text</b>	<b>Exhibit</b>
3, 4 5	1-7 through 1-10 1-11 2-1, 2-2 5-1 through 5-4 6-1, 6-2 6-6.5, 6-6.6 6-7 through 6-10 6-10.5, 6-10.6 (add) 6-11, 6-12 6-12.5, 6-12.6 6-13, 6-14 6-31, 6-32 6-32.5, 6-32.6 6-35 through 6-46 6-71, 6-72 6-72.3, 6-72.4 (add) 6-72.5, 6-72.6 6-73, 6-74 7-3 through 7-6 7-33 through 7-44 7-44.5, 7-44.6 7-45, 7-46 7-51, 7-52 7-52.5, 7-52.6 (add) 9-1, 9-2 9-7, 9-8 11-3, 11-4 12-1, 12-2 12-3	1, pages 1-4 2, pages 1, 2 25.5, pages 1, 2 25.6, pages 1-20 (add)



**Table of Contents (Continued)**

**Page No.**

**Part 7        Disposition of Security**

**Section 1        Disposition of Normal Income and Basic Chattel Security**

161	General Requirements.....	7-1
162	Agreement for Disposition of Normal Income and Basic Personal Property Security .....	7-4
163	Using Proceeds From Personal Property Security .....	7-7
164	Multiple Releases for Farm Operating Expenses Within the Term of an Annual OL .....	7-8
165	(Reserved)	
166	Releasing Security Interest .....	7-11
167-180	(Reserved)	

**Section 2        Unapproved Disposition of Security**

181	Initial FSA Actions Upon Discovery .....	7-31
182	Post-Approval of Personal Property Disposition.....	7-33
183	Requirements for Handling Borrower Non-compliance.....	7-34
184-195	(Reserved)	

**Section 3        Real Estate Security Releases, Exchanges or other Disposition of Portion or  
Interest**

196	Requirements .....	7-44.5
197	Allowable Use of Proceeds From the Release of Real Estate Security .....	7-48
198	Appraisals .....	7-51
199	Approving or Denying Partial Releases or Exchanges .....	7-52
200-210	(Reserved)	

**Section 4        (Withdrawn--Amend. 28)**

211, 212	(Withdrawn--Amend. 28)	
213-230	(Reserved)	

**Part 8        Withdrawing Existing Party**

231	Withdrawal Requirements .....	8-1
232-245	(Reserved)	

**Table of Contents (Continued)**

**Page No.**

**Part 9     Transfer of Real Estate and Personal Property Security**

246	Transfer of Security and Assumption of Debt .....	9-1
247	Types of Transfers and Assumptions.....	9-3
248	Assumption Terms .....	9-7
249	Reviewing Transfer Request.....	9-12
250	Closing the Transfer.....	9-13
251	Determining Transferor Liability After Closing.....	9-14
252-265	(Reserved)	

**Part 10    Deceased Borrowers**

266	General.....	10-1
267	Servicing Options for Program Loan Accounts.....	10-3
268	Servicing Options for NP Accounts.....	10-4
269-280	(Reserved)	

**Part 11    Borrowers Entering the Armed Forces**

281	General.....	11-1
282	Servicemembers Civil Relief Act of 2003 .....	11-2
283	Ronald W. Reagan National Defense Authorization Act for Fiscal Year (FY) 2005 .....	11-6
284-290	(Reserved)	

**Part 12    Transferring Borrower Records, Security, and Servicing Responsibilities**

291	Procedures and Servicing Responsibility.....	12-1
292-300	(Reserved)	

**Part 13    (Withdrawn--Amend. 38)**

301	(Withdrawn--Amend. 38)	
-----	------------------------	--

## Table of Contents (Continued)

### Exhibits

1	Reports, Forms, Abbreviations, and Redelegations of Authority
2	Definitions of Terms Used in This Handbook (7 CFR 761.2(b))
3	(Reserved)
4	State Supplements
5-19	(Reserved)
20	Request for Operational Review Information
21	(Withdrawn--Amend. 20)
22	Lender Agricultural Loan Underwriting Standards
23	Borrower Prospectus
24	Notice to Borrower to Refinance FSA Indebtedness
24.5	Addendum to the Promissory Note or Assumption Agreement Converting to Non-Program Rates and Terms
25	Notice of Change in Interest Rate
25.3	Loan Payment Reminder – Annual Installment Due Letter
25.4	(Withdrawn--Amend. 43)
25.5	IRS Forms, Corrections, and Reports
25.6	Examples of How to Complete FSA-2061
26	Notification of Payoff Amount
27	Notice of Termination of Security Interests in Farm Products
27.5	Notice for Preauthorized Debit
28	Request for Continuation Statement Filing Fee
28.4	Request for Continuation Statement Filing Fee (Bankruptcy Borrower)
28.5	(Withdrawn--Amend. 37)
29	Notification Letter to Potential Purchasers
30	Change in List of FSA Borrowers
31	Notification of Unauthorized Use of Proceeds
31.5	Notification of Unauthorized Use of Proceeds (Bankruptcy Borrower)
32	Initial Notification of Third-Party Purchaser
33	SED Notification of Third-Party Purchaser
34	(Withdrawn--Amend. 30)
35	Denial of Non-Program Assistance
36-50	(Reserved)
51	Service Members Civil Relief
52	Borrowers Entering Active Duty
53	Borrowers Leaving Active Duty





## 4 FSA Exception Authority

### A General

**[7 CFR 765.501] On an individual case basis, the Agency may consider granting an exception to any regulatory (or 4-FLP handbook) requirement or policy of this part if:**

**(i) The exception is not inconsistent with the authorizing statute or other applicable law; and**

**(ii) The Agency's financial interest would be adversely affected by acting in accordance with published regulations or policies and granting the exception would resolve or eliminate the adverse effect upon the Agency's financial interest.**

A decision as to whether an exception request will be submitted will be at FSA's discretion and is not appealable.

A request for an exception to program regulations should not be pursued under normal servicing conditions. FSA considers requests submitted under extraordinary circumstances only.

### B Submitting Exception Requests

\*--Only SED or Acting SED have the authority to submit an exception request, and the request must be submitted to DAFLP by e-mail to **SM.FSA.DCWa2.AdmException** or [adminexception@usda.gov](mailto:adminexception@usda.gov). The e-mail subject should read "Administrator's Exception--\* to (cite 4-FLP subparagraph) – (Borrower's Name and State)." State Office FLP staff must be involved in the development of the Exception Request. An attachment must fully describe the status of the account, including:--\*

- a brief background on the case
- total outstanding FSA indebtedness; loan types and amounts
- current status of the account; if it is delinquent, where it is in Primary Loan Servicing
- \*--type of security (personal property or real estate) and estimated value--\*
- prior liens
- proposed plan of action that warrants the exception request

**4 FSA Exception Authority (Continued)**

**B Submitting Exception Requests (Continued)**

- what procedure is to be waived
- the adverse effect to FSA resulting from compliance with the regulation and how it would be eliminated or minimized through the exception
- discussion of graduation
- \*--how the action is in the best financial interest of the Government
- additional information that SED thinks will be needed to review the case
- a Farm Business Plan credit action pertaining to the requested exception, including but not limited to:
  - updated farm assessment
  - appropriate environmental review, if needed
  - credit presentation demonstrating all other feasibility, eligibility, and security requirements are met for the request.--\*

**5 Introduction to Direct Loan Servicing (Regular)**

**A Purpose**

**[7 CFR 765.1(a)] This part describes the policies for servicing FLP direct loans, except for borrowers who are delinquent, financially distressed, or otherwise in default on their loan.**

**B Servicing Actions**

**[7 CFR 765.1(b)] Servicing actions described in this part include:**

- (1) Limited resource reviews;**
- (2) Graduation to commercial credit;**
- (3) Application of payments;**
- (4) Maintaining and disposing of security;**
- (5) Transfer of security and assumption of debt; and**
- (6) Servicing accounts of deceased borrowers.**

**C Loans Covered**

**[7 CFR 765.1(c)] The Agency services FLP direct loans under the policies contained in this part. This part is not applicable to Non-program loans, except where noted.**

This handbook discusses the regular servicing of the following types of FSA loans:

- EE
- EM
- FO (including beginning farmer downpayment)
- NP (where specifically addressed)
- OL (including youth)
- RHF
- RL
- ST
- SW
- CL.

## 6 ECOA Requirements for Actions Involving Real Estate Security

### A Release of Real Estate Appraisals

Equal Credit Opportunity Act (ECOA) requires the Agency to provide a copy of a written real estate appraisal or valuation performed on any real estate that is pledged as security as part of an application for FSA assistance. For servicing actions authorized by this handbook that involve FSA completing any real estate valuation, local offices will comply with the requirements of 1-FLP paragraph 148 to provide a copy of the valuation to the borrower, when applicable.

## 7 Non-Procurement Debarment and Suspension

### A Covered Transactions

**[2 CFR 417.10] This part adopts the OMB guidance in subparts A through I of 2 CFR part 180, as supplemented by this part, as the USDA policies and procedures for non-procurement debarment and suspension. It thereby gives regulatory effect for the USDA to the OMB guidance, as supplemented by this part.**

**[2 CFR 417.210] All non-procurement transactions, as defined in section 417.970 are covered transactions unless listed in section 417.215.**

**[2 CFR 417.970] (a) “Non-procurement transaction” means any transaction, regardless of type (except procurement contracts), including, but not limited to . . .**

#### **(6) Loans.**

**[2 CFR 417.215] (a) Transactions not covered:**

**(1) An entitlement or mandatory award required by a statute, including a lower tier entitlement or mandatory award that is required by a statute.**

**(7) Permits, licenses, exchanges and other acquisitions of real property, rights of way and easements under natural resource management programs.**

\*--Assumption of Debt (see Part 9, 3-FLP, paragraph 75, and 1-FLP, paragraph 43) is a--\* non-procurement transaction in this handbook not covered by exceptions.

7 **Non-Procurement Debarment and Suspension**

**B System for Award Management (SAM) Exclusions**

**[2 CFR 417.500] SAM exclusions is a widely available source of the most current information about persons who are excluded or disqualified from covered transactions.**

**[2 CFR 416.595] (a) Federal agency officials use SAM Exclusions to determine whether to enter into a transaction with a person, as required under section 180.430 of this title.**

\*--Before offering an applicant an assumption of debt, the agency approval official will ensure that 3-FLP, paragraph 75 and 1-FLP, paragraph 43 are followed.--\*

A copy of this search will be placed in position 3 of the case file. If a borrower or applicant has been excluded or disqualified, the transaction will not be offered. Appeal rights will be provided as set forth in Parts 6 or 9. See 1-FLP paragraph 43.

**8-15 (Reserved)**



**Part 2 Operational Reviews****16 Reviewing a Borrower's Account****A Overview**

Full operational reviews will be completed at least every 2 years on each account except as noted in subparagraph B. More frequent operational reviews may be completed at the \*--agency official's discretion or in conjunction with an analysis according to 1-FLP,--\* subparagraph 263 A.

An operational review is performed to:

- update the:
  - assessment review every other year
  - account classification
- complete:
  - the graduation review
  - FSA-2040 (if debt secured by crops, livestock, equipment, or machinery).
  - the limited resource review (if applicable)
  - \*--analysis (if applicable).--\*

The biennial operational review will be tracked and monitored within DLS and documented in FBP by completing a D-Loan/Class/LR/YEA Only credit action; if no loan making or special servicing credit action is applicable. If a loan making action is being completed, select that credit action to document the operational review.

16 **Reviewing a Borrower's Account (Continued)****B Requesting Information**

**[7 CFR 761.102(b)] A borrower also must agree in writing to:**

- (1) Cooperate with the Agency and comply with all supervisory agreements, farm assessments, farm operating plans, and all other loan-related requirements and documents**
- (2) Submit financial information and an updated farm operating plan when requested by the Agency**
- (3) Immediately notify the Agency of any proposed or actual significant change in the farming operation, any significant changes in family income, expenses, or the development of problem situations, or any losses or proposed significant changes in security.**

**[7 CFR 765.101(c)] The borrower must submit all information that the Agency requests in conjunction with the review of the borrower's financial condition, including Federal income tax returns.**

At least every 2 years, each borrower will be sent Exhibit 20 requesting information to assist the Agency in completing the operational review.

**Note:** Exceptions to requesting information is for borrowers with only Y-OL's, CL's, NP's, judgment, CNC's, or whose accounts are flagged "BAP", "ACL", "FAP", "CAP", or otherwise determined by OGC.

County Offices will add the "OGC" flag (5-FLP, Exhibit 11) in DLS to indicate OGC has determined FSA should suspend certain routine servicing. This flag will only be used when specific written correspondence from OGC is provided, advising to suspend certain routine loan servicing actions. For example, a borrower might have pending litigation against the Agency and OGC determines FSA should suspend an Operational Review and other routine servicing actions.

The "OGC" flag will be removed when the suspension is no longer applicable. The "OGC" flag is available from the Manage Flags section of Customer Management. This is a DLS only flag, meaning that it will not process a transaction to ADPS. The flag will only be visible in DLS. Refer to the DLS User Guide for instructions to add and remove the flag.

Exhibit 20 will be sent twice in a 30-day period if the borrower does not supply the required information. The first time Exhibit 20 is sent, the borrower will be given 30 calendar days to supply the required information. The second Exhibit 20 will be sent on day 15, only if the required information has not been submitted and will give the borrower 15 calendar days to submit the required information.

\*--Borrowers who fail to respond will be serviced according to subparagraph 19.5 A, for--\* graduation review, or 21 D, if subject to limited resource interest rates.



## Part 5 Borrower Payments

## 61 General

## A Purpose

This part identifies how payments received by FSA from the borrower are to be applied to borrower loans. For borrowers with chattel security, this part refers to proceeds that FSA will apply to the borrower's FLP debt according to FBP and FSA-2040.

## B Acceptable Payment Forms

**[7 CFR 765.151(a)] Borrowers must submit their loan payments in a form acceptable to the Agency, such as checks and money orders. Forms of payment not acceptable to the Agency include, but are not limited to, foreign currency, foreign checks, and sight drafts.**

**Note:** Cash payments are limited to no more than \$100 per transaction. Payments over \$100 can be made in the form of ACH, check, debit card, money order, or wire transfer.

PML is a self-service application for borrowers to make payments on their direct loans. To use the feature, borrowers must have a farmers.gov account. To create an account, borrowers will need to visit **farmers.gov/account**. Local offices are encouraged to include a copy of the PML Quick Start Guide, available on Farmers.gov, when sending Exhibit 25.3 to borrowers.

## C Processing Payments

**[7 CFR 765.151(b)] The Agency credits the borrower's account as of the date the Agency receives payment.**

**Note:** When an office is closed because of a lapse in government funding, natural disaster, or response to emergency situation, borrower payments submitted by mail will be credited as of the date of the postmark.

When FSA receives a payment, the authorized agency official must record and process the payment according to 64-FI.

A receipt for payments received will be given when cash is received, or the borrower requests a receipt with other payment forms.

Any subsequent correction of applications will be processed in NRRS. For the correction to be updated to borrower's account, the authorized agency official will need to submit FSA-2429 through the RD Business Center, FLB, ECM system. Changes in application of loan payments will not be for trivial or minor purposes. FSA-2429 **must** be submitted as soon as the error in application of payments is discovered or by December 31 of the current CY, to not adversely impact FSA issuance of IRS-1098. \* \* \*

\*--SED's are authorized to make changes in past calendar years or after IRS-1098's have been prepared using FSA-2429. This authority may not be redelegated. If this authority is exercised, corrective action and mitigation of errors must be documented and an annual report must be completed by February 1 of each year according to Exhibit 1. Reports are required to be submitted by email to **SM.FSA.DCWa7.DirectLoans** or [fsa-directloans@usda.gov](mailto:fsa-directloans@usda.gov).--\*

## 61 General (Continued)

**D Identifying Regular and Extra Payments**

When FSA receives a payment from the borrower, the authorized agency official will identify the source of income from which the payment was derived. The source of the income or proceeds is essential to determine whether FSA applies payments as regular or extra.

**[7 CFR 765.152(a)] Regular payments are derived from, but are not limited to:**

- (1) The sale of normal income security;**
- (2) The sale of farm products;**
- (3) Lease income, including mineral lease signing bonus;**
- (4) Program or disaster-related disbursements from USDA or crop insurance entities;  
and**
- (5) Non-farm income.**

**[7 CFR 765.152(b)] Extra payments are derived from any of the following:**

- (1) Sale of chattel security other than normal income security;**

such as farm equipment and breeding livestock.

- (2) Sale of real estate security;**
- (3) Refinancing of Agency debt;**

**Note:** As required in 64-FI, Exhibit 17, collections for refinancing are coded as “Y” in NRRS.

- (4) Proceeds of insurance claims received on Agency security, if not being used to repair or replace the security;**

\*--Repair and replacement of security may include expenses such as engineering fees, contractor estimates or similar expenses to ensure insurance companies have properly adjusted damages to Agency security.--\*

- (5) Any transaction that results in a loss in the value of any Agency basic security;**
- (6) Refunds of duplicate program benefits or assistance to be applied on CL or EM loans;  
or**
- (7) Refunds of unused loan funds.**

## 61 General (Continued)

**E Canceling Undisbursed Loan Funds**

After a loan has been closed, the authorized agency official will complete FSA-2425 to cancel the obligation of funds that will not be used by the borrower. No interest accrues, since the funds were obligated, but not advanced.

FSA-2072 must also be prepared and submitted with a copy of FSA-2425 to the RD Business Center, FLB. See 1-FLP, subparagraph 5 B.--\*

The original FSA-2425 with the borrower's signature will be stapled to the original promissory note in the locked, fire-resistant file cabinet. A copy of FSA-2425 will be placed in the borrower's file in position 2 with the note and an ADPS Unclosed (UN) Screen screen-print, after completion of the deobligation by the RD Business Center, FLB.--\*

If it is clear that the unused funds will not be used, but the borrowers will not sign FSA-2425, SED's are authorized to approve cancellation of undisbursed loan funds after all PLS options have been exhausted or the debt is paid in full. This authority may not be redelegated. If PLS has not been exhausted, States Offices shall contact LSPMD for directions.

\*--The RD Business Center, FLB record of the loan will indicate the loan amount was--\* reduced after deobligation. Keeping FSA-2425 with the promissory note (both original and copy) is the paper trail evidence that the loan amount was reduced after closing and the borrower consented.

DLS will be updated as required.

## 62 Regular Payments

### A Applying Regular Payments

**[7 CFR 765.153(a)] A regular payment is credited to a scheduled installment on program and non-program loans. Regular payments are applied to loans in the following order:**

- (1) Annual operating loan;**
- (2) Delinquent FLP installments, paying least secured loans first;**
- (3) Non-delinquent FLP installments due in the current production cycle in order of security priority, paying least secured loans first;**
- (4) Any future installments due.**

Regular payments received will be credited by the RD Business Center, FLB to loans in the order provided in subparagraph 64 A, beginning first with administrative costs and protective advances plus interest. Administrative costs and protective advances will only add on to FO's, SW's, and CL's. For other loan types, a new loan account is established. The loan number for these loans is generally between 75 and 99. Any protective advance or administrative cost charged back to a borrower's account is immediately due and payable.

### B Regular Payments From Real Estate Sale Security With SED Approval

**[7 CFR 765.152(c)] Notwithstanding any other provision of this section, payments derived from the sale of real estate security will be treated as regular payments at the Agency's discretion, if the FLP loans will be adequately secured after the transaction.**

When FSA becomes aware that the borrower is selling all or a portion of the real estate security, FSA-2061 (See Exhibit 25.6 for examples of how to complete FSA-2061) for--\* a partial sale should be requested from the borrower. When FSA receives the payment from the sale of real estate security, the authorized agency official must consult FSA-2061 to determine the loan to which the payment should be applied, generally in the order of lien priority.

**Notes:** Only items 1 through 5 of the FSA-2061 are required if the transaction results in FSA debts being paid in full.

If the borrower requests that payments resulting from the sale or exchange of real estate security be applied to current, delinquent, or unmatured loan installments; the borrower, with the assistance of the authorized agency official, must complete and submit FSA-2061. Only SED's may approve this application of funds. The authorized agency official will forward the completed FSA-2061 and any other materials required to SED for review. The authorized agency official will inform the borrower of the decision and provide appeal rights according to 1-APP, if FSA-2061 is not approved.

**Part 6 Protecting FSA's Security Interests****Section 1 General Security Preservation and Lien Protection****96 Servicing Policy****A Overview**

This Part describes FSA's policies on general security preservation and lien protection, subordinations, junior liens, severance agreements, and releases of liens without monetary consideration.

**B General Policy**

**[7 CFR 765.201] All Agency servicing actions regarding preservation and protection of Agency security will be consistent with the covenants and agreements contained in all loan agreements and security instruments.**

**C Security Inspections**

\*--Personal property will be inspected annually, except in cases where the authorized agency official has justified in the assessment or analysis that no undue risk exists. However, all personal property will be inspected at least every 2 years. These security inspections will be scheduled after a new loan has been closed by creating a new Farm Visit workflow in DLS.--\*

After completing the Farm Visit workflow, follow-up security inspections shall be scheduled in DLS; thereafter, based on the applicable requirements of this section for the type of loan security and for the remainder of the loan term.

In times of limited resources, the authorized agency official may prioritize the completion of security inspections within the requirements of the applicable regulations.

\*--**Example:** An FO borrower who has been current with FSA and has provided personal property only as additional security might not need an annual inspection.--\*

## 96 Servicing Policy (Continued)

**C Security Inspections (Continued)**

The authorized agency official:

- will inspect real property security at least once every 3 years
- should conduct more frequent inspections for a delinquent borrower or a borrower who has been indebted to FSA for less than 1 full crop year.

The purpose of inspections is to:

- verify that the borrower possesses all the property listed in the security instruments
- determine that the borrower is maintaining security properly
- update security instruments.

The authorized agency official will record all security inspections in borrower's FBP and in DLS by using the Farm Visit Scheduling, tracking and monitoring, workflow activities.

A field visit to complete a security inspection may be used to:

- review the accomplishments and goals (assessment) with the borrower
- emphasize any agreements that have been made
- discuss any concerns about the operation
- discuss any proposed changes.

\*--For personal property secured loans, the following will be documented on the FSA-2028--\* work copy:

- individual security items that are inspected
- any revisions to the condition of the individual items
- number and condition of livestock and equipment
- any discrepancies from original livestock numbers that were discussed.

**Note:** See Part 7 for guidance on handling discrepancies.

**D Documenting Reviews Not Completed As Scheduled**

\*--When the authorized agency official determines that a scheduled personal property--\* inspection will not be completed as scheduled, the Farm Visit workflow in DLS shall be terminated. The terminated workflow must be documented as to why the workflow was not completed. A new Farm Visit workflow must be created and scheduled immediately as applicable.

**98 Maintaining Security Instruments (Continued)****B Maintaining Current Information**

FSA must review or renew financing statements, security agreements, and other documents for each borrower periodically. County Offices will use DLS to identify and track security instruments that need to be continued or updated. The authorized agency official will notify the borrower of any required information and documents. Notification, if not made in writing, should be documented in FBP.

**C Obtaining Subsequent FSA-2028's**

FSA obtains new FSA-2028's when:

- a security interest is taken in crops, if an interest was not previously obtained
- FSA obtains additional security new or additional security through a new loan or PLS
- modifications to the security listed on the working copy of current FSA-2028's have been made
- deemed necessary to protect FSA's security interests.

**Note:** FSA Security Agreements, FSA-2028, do not include a blanket security interest in all equipment or livestock now owned or later acquired. Therefore, it is necessary for the FSA-2028 to be reviewed and updated regularly to ensure it accurately reflects FSA security interests in specific collateral. Should specific items be replaced, for example, FSA must obtain an updated security agreement as a condition of authorizing the replacement.

SED will issue a State supplement to specify when to obtain a subsequent FSA-2028 based on State law.

\* \* \*





**98 Maintaining Security Instruments (Continued)**

\* \* \*

**D Continuing, Amending, or Obtaining New Financing Statements**

Unless State law provides otherwise, financing statements filed according to UCC are effective for 5 years from the filing date. The authorized agency official must continue existing financing statements to retain FSA's security position beyond the original 5-year period. The authorized agency official will file the appropriate continuation form within the 6-month period before the end of the current 5-year period to extend the effective date of the original filing for an additional 5 years.

**Note:** A lien search is not required when the financing statement is properly continued.

**98 Maintaining Security Instruments (Continued)****D Continuing, Amending, or Obtaining New Financing Statements (Continued)**

The authorized agency official shall amend or file a new financing statement only if the debt will be additionally secured either by:

- property not already described specifically or by type in the existing financing statement
- crops growing or to be grown that are not already covered by the existing financing statement
- fixtures not already described on the existing financing statement.

SED's will issue State supplements as needed to provide additional guidance and ensure compliance with State laws and procedures. Supplements should include the appropriate forms to be used for continuation, amendment, or new filings.

**E Purchase Money Interest (PMI) Identification Requirements for New FSA-2028's**

If separate and identifiable livestock security cannot be clearly established, all of the type of livestock purchased with loan funds will be listed on the security agreement and the PMI identifier (\*) will be used with a "Note" showing the number of livestock originally purchased with loan funds.

**Example:** Borrower used loan funds to purchase 100 cows. Borrower owned 100 cows before receiving the loan. Borrower now also owns 25 bred heifers. The FSA-2028 will list 225 cows identified with (\*) PMI and note-PMI in 100 cows.

## 98 Maintaining Security Instruments (Continued)

### F Obtaining Assignments

FSA may require that borrowers assign FP payments to FSA for FLP loan payments. Assignments for program payments will be maintained according to 63-FI.

SED's will issue State supplements as needed to:

- provide guidance on maintaining existing assignments
- ensure compliance with State laws.

### G Real Estate Security Instruments

Real estate security instruments will be obtained, corrected, amended, or continued according to applicable State law. SED's will issue State supplements to provide guidance for complying with State requirements.

**Note:** No limitations period exists with respect to actions by government agencies to foreclose mortgages or deeds of trust per 28 U.S.C.A. § 2415I. Accordingly, State limitations periods, and specifically those governing foreclosures, are not effective against the Federal Government. Regional OGC should be contacted for guidance on specific cases.

## 99 Borrower Responsibilities for Complying With Loan Instruments

### A General Policy

[7 CFR 765.202] **The borrower must:**

**(a) Comply with all provisions of the loan agreements;**

**(1) Non-compliance with the provisions of loan agreements and documents, other than failure to meet scheduled loan repayment installments contained in the promissory note, constitutes non-monetary default on FLP loans by the borrower;**

**(2) Borrower non-compliance will be considered by the Agency when making eligibility determinations for future requests for assistance and may adversely impact such requests;**

**Note:** Non-compliance by borrowers should be addressed according to 5-FLP, Part 3.

99 **Borrower Responsibilities for Complying With Loan Instruments (Continued)****B Borrower Responsibilities**

[7 CFR 765.202] The borrower must:

- (b) Maintain, protect, and account for all security;**
- (c) Pay the following, unless State law requires the Agency to pay:**
  - (1) Fees for executing, filing, or recording financing statements, continuation statements or other security instruments; and**

**Notes:** Exhibit 28 will be used to inform the borrower of any fees required.

\*--Exhibit 28.4 will be used for borrowers in bankruptcy.--\*

- (2) The cost of lien search reports;**
- (d) Pay taxes on property securing FLP loans when they become due;**
- (e) Maintain insurance coverage in an amount specified by the Agency;**
- (f) Protect the interests of the Agency when a third party brings suit or takes other action that could affect Agency security.**

**C Requirement to Operate Security**

[7 CFR 765.251] **(a) A borrower is required to be the operator of Agency security in accordance with loan purposes, loan agreements and security instruments. See operator in Exhibit 2.**

- (b) A borrower who fails to operate the security without Agency consent is in violation of loan agreements and security instruments.**
- (c) The Agency will consider a borrower's request to lease or cease to operate the security as provided in §§ 765.252 and 765.253 (subparagraphs D and E).**

**D Conditions for FSA Consent to Borrower Ceasing to Operate**

[7 CFR 765.253] **If the borrower requests Agency consent to cease operating the security or if the Agency discovers that the borrower is failing to operate the security, the Agency will give consent if:**

- (a) Such action is in the Agency's best interests;**
- (b) The borrower is unable to graduate on any program except for CL;**
- (c) The borrower is not ineligible as a result of disqualification for Federal Crop Insurance violation according to 7 CFR part 718;**

99 **Borrower Responsibilities for Complying With Loan Instruments (Continued)**

**D Conditions for FSA Consent to Borrower Ceasing to Operate (Continued)**

**(d) Any one of the following conditions is met:**

- (i) The borrower is involved in the day-to-day operational activities, management decisions, costs and returns of the farming operation, and will continue to reside in the immediate farming community for reasonable management and operation involvement;**
- (ii) The borrower's failure to operate the security is due to age or poor health, and the borrower continues to reside in the immediate farming community for reasonable management and operation involvement; or**
- (iii) The borrower's failure to operate the security is beyond the borrower's control, and the borrower will resume the farming operation within 3 years.**

\*--FLC's have the primary authority to approve a borrower's request or action to cease operating the security under this section.

If FSA cannot grant the borrower consent to cease operating security, FSA will immediately notify the borrower of non-monetary default according to 5-FLP, paragraph 66.--\*



## 99 Borrower Responsibilities for Complying With Loan Instruments (Continued)

## E Real Estate Surface Leases

**[7 CFR 765.252(a)] The borrower must request prior approval to lease the surface of real estate security. The Agency will approve requests provided the following conditions are met:**

- (1) The lease will not adversely affect the Agency's security interest;**
- (2) The term of consecutive leases for agricultural purposes does not exceed 3 years, or 5 years if the borrower and the lessee are related by blood or marriage. However, the term of surface leases for farm property no longer in use, such as old barns, or for nonfarm purposes, such as wind turbines, communication towers, or similar installations can be for any term;**

**\*--Note:** If it is determined that an extended lease term is in the agency's best financial interest, an Administrator's Exception request may be submitted.--\*

- (3) The lease does not contain an option to purchase;**
- (4) The lease does not hinder the future operation or success of the farm, or, if the borrower has ceased to operate the farm, the requirements specified in § 765.253 are met (subparagraph D). Leases for nonfarm enterprises, such as solar farms, which take significant acreage of the Agency's security out of agriculture production are not authorized. Non-productive land may be considered for this type of lease; and**
- (5) The lease and any contracts or agreements in connection with the lease must be reviewed and approved by the Agency.**

**\*--FLC's have the primary authority to approve leases under this section. Approval of leases will be documented on the FSA-2061. If the FLC reviews the lease and determines that legal clarification is necessary, State Office may request regional OGC opinion.**

**If FSA cannot grant the borrower consent to lease the real estate security, FSA will immediately notify the borrower of non-monetary default according to 5-FLP, paragraph 66.--\***

**99 Borrower Responsibilities for Complying With Loan Instruments (Continued)**

\* \* \*

**F Mineral Leases**

**[7 CFR 765.252 (b)] The borrower must request Agency consent to lease any mineral rights used as security for FLP loans.**

**(1) For FO loans made from December 23, 1985, to February 7, 2014, and loans other than FO loans secured by real estate and made from December 23, 1985, to November 1, 2013, the value of the mineral rights must have been included in the original appraisal in order for the Agency to obtain a security interest in any oil, gas, and other mineral associated with the real estate security.**

**(2) For all other loans not covered by paragraph (b)(1) of this section**  
**\*--(subparagraph 99 F), the Agency will obtain a security interest in any oil, gas, and other--\***  
**mineral on or under the real estate pledged as collateral in accordance with the applicable security agreement, regardless of whether such minerals were included in the original appraisal.**

**(3) The Agency may consent to a mineral lease if the proposed use of the leased rights will not adversely affect either:**

**(i) The Agency's security interest; or**

**(ii) Compliance with any applicable environmental requirements of part 799 of this chapter.**

See 1-FLP, subparagraph 222 C for guidance to identify potential wetlands that may be impacted by the proposed action.

**(4) The term of the mineral lease is not limited.**



## 99 Borrower Responsibilities for Complying With Loan Instruments (Continued)

## G Personal Property Security Leases

**[7 CFR 765.252(c)] The borrower must request prior approval to lease chattel security. The Agency will approve requests provided the following conditions are met:**

- (1) The term of lease does not exceed 12 months and does not automatically renew;**
- (2) The lease does not contain an option to purchase;**
- (3) The lease does not hinder the future operation or success of the farm, or, if the borrower has ceased to operate the farm, the requirements specified in § 765.253 are met; and**
- (4) The lease must be in the best interest of the Agency as determined by the authorized Agency official;**
- (5) Leased security must be accessible and readily identifiable at all times. Leased livestock required to be branded, tagged or be otherwise specifically identifiable; and**

The authorized agency official must consider the following factors in determining if the lease is acceptable:

- excessive wear and tear where the loss of value in the security that would not be economically feasible to repair or replace
- provisions for the return of the security and enforcement of those provisions
- provisions designating responsibility for repair or loss of security
- proposed location for the use of security and if that security will be comingled with other security
- the borrower will always maintain hazard insurance.

**Note:** The FSA borrower is responsible for the security at all times.

**(6) The lease and any contracts or agreements in connection with the lease must be reviewed and approved by the Agency.**

Upon approval of the lease, the authorized agency official will notify the lessee of the Agency's lien on the borrower's security. The letter should state that payments for the lease will be issued jointly to FSA and the borrower unless otherwise agreed between the Agency and the borrower. All projected lease payments will be documented on the FSA-2040.

FSA immediately notifies the borrower of non-monetary default according to 5-FLP, paragraph 66 if determined a lease was previously approved.



**99 Borrower Responsibilities for Complying With Loan Instruments (Continued)**

**H Allotments Leases**

**[7 CFR 765.252(e)] (1) The Agency will not approve any crop allotment lease that will adversely affect its security interest in the allotment.**

**(2) The borrower must assign all rental proceeds from an allotment lease to the Agency.**

**I Lease Proceeds**

**[7 CFR 765.252 (d)] Lease proceeds are considered normal income security and may be used in accordance with § 765.303 (paragraph 163).**

**100 (Withdrawn—Amend. 37)**

**101 Making Protective Advances****A Allowed Protective Advance Uses**

**[7 CFR 765.203] When necessary to protect the Agency's security interest, costs incurred for the following actions will be charged to the borrower's account:**

FSA may act to protect its interest when the borrower fails to do so. If there is a prior lien, FSA will not make protective advances unless the prior lienholder refuses to take action. The authorized agency official must document evidence of the prior lienholder's refusal to take action in the borrower's case file. Further, the authorized agency official must document in FBP that advancing Government funds to protect FSA collateral is in FSA's best interest based on the equity available for FSA recovery or as determined through 5-FLP, Exhibit 37.

FSA will make protective advances according to 1-FLP, Part 7 on program loan expenses.

Once a protective advance is made, that protective advance is a debt owing and immediately ~~due and payable~~. Borrowers will immediately be notified of a non-monetary default and ~~serviced~~ according to 5-FLP. According to 5-FLP, Part 4, only protective advances used to pay real estate taxes may receive primary loan servicing. All other protective advances cannot be restructured and must be immediately repaid by the borrower.

## Section 2 Subordinations

## 116 Requesting Subordinations

## A Borrower Application

**[7 CFR 765.205 (a)] The borrower must submit the following, unless it already exists in the Agency's file and is still current as determined by the Agency:**

\*--Separate and distinct entities or operations that are not liable for outstanding obligations to the agency are not considered eligible borrowers for subordinations, even if an agency borrower is involved.--\*

**[7 CFR 765.205 (a)] (1) Completed Agency application for subordination form;**

\*--FSA-2062 will be used for all personal property and real estate subordination requests under this paragraph.--\*

**Note:** State Offices should contact LSPMD for guidance if a subordination request is received from a non-commercial lender. Commercial lenders are subject to State or Federal government oversight.

**[7 CFR 765.205 (a)] (2) A current financial statement, including, in the case of an entity, financial statements from all entity members;**

FSA-2037 or any other format approved by FSA containing the same information.

**[7 CFR 765.205 (a)] (3) Documentation of compliance with the Agency's environmental regulations contained in part 799 of this chapter;**

AD-1026.

See 1-FLP, subparagraph 222 C for guidance to identify potential wetlands that may be impacted by the proposed action.

**[7 CFR 765.205 (a)] (4) Verification of all non-farm income;**

\*--See 3-FLP, subparagraph 42 A for the verification of non-farm income.--\*

**[7 CFR 765.205 (a)] (5) The farm's operating plan, including a projected cash flow budget reflecting production, income, expenses, and debt repayment plan; and FSA-2038 or any other format approved by FSA containing the same information.**

**[7 CFR 765.205 (a)] (6) Verification of all debts.**

**116 Requesting Subordinations (Continued)**

**A Borrower Application (Continued)**

A credit report is required unless current credit information is already contained in the borrower's case file or is otherwise available. The credit report fee will be paid by FSA unless the borrower has also applied for an FLP loan.

A current credit report obtained by the participating lender is authorized for use to verify debts.

See 3-FLP, subparagraph 42 A for the verification \* \* \* of \* \* \* debts.

With subordinations, FSA and the lender essentially partner in providing joint financing to the borrower and share applicable financial and loan information. The loan officer should confirm with the lender the loan rate, term, purposes, and security requirements, and what the lender specifically requires from FSA.

FSA may accept application items listed on FSA-2062 Part A, Item 3 from borrowers, or directly from lenders who submit documents on behalf of the borrower; or obtain copies of the items from the guaranteed lenders FSA file, to support subordination requests.

These items will be input into FBP. The analysis completed by the approval official can be brief since both FSA and the lender have processed loans according to their respective credit quality requirements.

## 116 Requesting Subordinations (Continued)

### B Processing Subordination Requests

The authorized agency official will enter the following information into DLS and use it to track and monitor subordination requests:

- date the application is received
- applicant name
- type of assistance requested
- subordination amount requested.

During a time of limited staffing resources, the authorized agency official may prioritize the completion of the \* \* \* analysis for subordinations during non-operational review year according to current agency directives. The authorized agency official may approve a subordination request without an operational review during non-operational review years when both of the following requirements are met:

- an operational review has been completed in the last 12 months
- the decision is based upon the cash flow submitted by the lender which the agency concurs. An FBP cashflow is not being used; however, concurrence will be documented in FBP Running Record.

### \*--C Incomplete Applications

**[7 CFR 765.205 (b)] Incomplete applications will be processed in accordance with 7 CFR 764.52 (3-FLP Paragraph 45).**

DLS Workflow SI-Other should be utilized as a reminder tool for sending incomplete notifications or when to withdraw. DLS SI-Other for subordinations currently records an outcome for withdrawal.--\*

## 117 Conditions for Real Estate Subordinations

## A Real Estate Security

**Note:** See Part 7 Section 3 for requirements for subordinations and non-disturbance agreements made for non-lending purposes.

**[7 CFR 765.205(c)] For loans secured by real estate, the Agency will approve a request for subordination subject to the following conditions:**

**(1) If a lender requires that the Agency subordinate its lien position on the borrower's existing property in order for the borrower to acquire new property and the request meets the requirements in paragraph (b) (3) of this section (subparagraph 117 A), the request may be approved. The Agency will obtain a valid mortgage and the required lien position on the new property. The Agency will require title clearance and loan closing for the property in accordance with § 764.402 of this chapter (3-FLP, Part 16).**

\*--Separate and distinct entities or operations that are not liable for outstanding obligations to the agency cannot request subordination of agency security, even if an agency borrower is a member of the entity.--\*

**(2) If the borrower is an entity and the Agency has taken real estate as additional security on property owned by a member, a subordination for any authorized loan purpose may be approved when it meets the requirements in paragraph (b)(3) of this section (subparagraph 117 A) and it is needed for the entity member to finance a separate farming operation. The subordination must not cause the unpaid principal and interest on the FLP loan to exceed the value of loan security or otherwise adversely affect the security.**

**(3) The Agency will approve a request for subordination of real estate to a creditor if:**

**(i) The loan will be used for an authorized loan purpose or is to refinance a loan made for an authorized loan purpose by the Agency or another creditor;**

See 3-FLP for authorized loan purposes. Exception: Refinancing real estate debt is an authorized purpose for a subordination.

**(ii) The credit is essential to the farming operation, and the borrower cannot obtain the credit without a subordination;**

**(iii) The FLP loan is still adequately secured after the subordination, or the value of the loan security will be increased by an amount at least equal to the advance to be made under the subordination;**

**(iv) Except as authorized by paragraph (c)(2) of this section (subparagraph 118 B), there is no other subordination outstanding with another lender in connection with the same security;**

**(v) The subordination is limited to a specific amount;**

**(vi) The loan made in conjunction with the subordination will be closed within a reasonable time and has a definite maturity date;**

\* \* \*



## 118 Conditions for Personal Property Subordinations

### A Personal Property Security

[7 CFR 765.205(c)] The requirement for chattel subordinations are as follows:

**(1) For loans secured by chattel, the subordination must meet the conditions contained in paragraphs (b)(3)(i) through (xiii) of this section (subparagraph 117 A).** Multi-year subordinations may only be approved according to OGC-approved State supplements.

Multi-year subordination must meet all requirements set forth in this subparagraph. State supplements must specifically address the following:

- borrower's inability to obtain credit without subordination, including guarantee
- borrower's inability to partially graduate
- borrower's ability to pay debt before funds are released for each production cycle
- advances for the subsequent years are not authorized without FSA's written consent.

\* \* \*

### B Second Subordinations on Personal Property

[7 CFR 765.205(d)(2)] The Agency will approve a request for a second subordination to enable a borrower to obtain crop insurance, if the following conditions are met:

**(i) The creditor to whom the first subordination was given did not provide for payment of the current year's crop insurance premium, and consents in writing to the provisions of the second subordination to pay insurance premiums from the crop or insurance proceeds;**

**(ii) The borrower assigns the insurance proceeds to the Agency or names the Agency in the loss payable clause of the policy; and**

**(iii) The subordination meets the conditions under paragraphs (b)(1) through (12) of this section (subparagraph 117 A).**

### C CCC Loans

CCC-679's will be used according to 8-LP instead of a subordination when FP makes a CCC loan to the borrower. FSA does not subordinate to CCC loans.

## 119 Appraisal Requirements

### A Appraisals

**\*--[7 CFR 765.205(e)] An appraisal of the property that secures the Agency loan will--\* be required when the Agency determines it necessary to protect its interest. Appraisals will be obtained in accordance with § 761.7 (1-FLP) of this chapter.**

At a minimum, real estate appraisals will be obtained when property is to be improved, purchased, or exchanged. FSA does not require an appraisal for real estate security when either of the following occur:

- borrower's case file contains an existing appraisal that was completed within the previous 18 months and meets the requirements of 1-FLP, subparagraph 141 G.
- loan for which the borrower requests the subordination is:
  - to refinance an existing prior lien and the resulting prior lien will **not** be increased except for customary costs appropriate to the transactions

**Note:** See subparagraph 197 B for customary costs.

- for an essential repair that is needed to restore the value of the security and complies with subparagraph 117 A.

\*--FSA does **not** require an appraisal for personal property security when either of the following criteria are met:

- the proposed subordination is for annual operating and family living expenses only and the projected income from farm production exceeds the subordination amount
- the existing FSA personal property appraisal is less than 1 year old and meets the requirements of 1-FLP, subparagraph 141 G.--\*

The authorized agency official must consider property additions to, and deletions from, the latest FSA appraisal and fully document the decision.

## 120 Approving or Denying Subordination Requests

### A Approval Authority

Except for SED's, approval officials may approve subordinations if the amount of the subordination, plus the principal balance of existing subordinations, is not more than their \*--maximum approval authority according to 1-FLP, subparagraph 29 D. SED authority to--\* approve subordinations is limited to \$1 million total EM indebtedness; otherwise, SED's may approve subordinations regardless of the amount. SED's may delegate their authority for approving subordinations to FLC, FLS, or DD.

**Note:** SED's are the only FSA officials with approval authority for subordinating real estate security for an operating-type loan purpose, which includes an annual line of credit and multi-year line of credit. This specific approval authority cannot be redelegated.

The authorized agency official may approve the subordination by executing the electronic signature command in the credit presentation section of FBP. Under the electronic signature, the approval official may designate the local servicing official the responsibility to execute agency and required legal documents to complete the subordination.

The authorized agency official must include in the physical case file, all components of FBP that require signatures as provided in the FBP User Guide, available at <https://inside.fsa.usda.gov/program-areas/daflp/software-manuals/index>.

The authorized agency official will sign FSA-2455 or any other format required in State supplements, as necessary, to meet State legal requirements.

Once a request is approved, it is closed according to State supplements. The authorized agency official must enter the date that FSA approves a request in DLS.

### B Appeal Rights

If a request under this section cannot be approved, the borrower will be notified of all appeal rights according to 1-APP.

121-125 (Reserved)



## Section 5 Release of Real Estate and Personal Property Security Liens Without Monetary Compensation

### 146 Release Without Monetary Compensation

#### A Approval

\*--SED, or delegated FLC, FLS, or DD, may approve a request for release by authorizing--\* execution of FSA-2045, FSA-2061, FSA-2470, or other documents approved by OGC. Before approval of a release without monetary compensation, borrower's ability to graduate to commercial credit must be considered and documented. The SED or delegated official's authorization must be attached to the applicable executed documents.

The transaction may be approved by using the electronic signature command in the credit presentation section of FBP. SED may designate responsibility to an authorized agency official to execute agency and required legal documents to complete the transaction in FBP. All components of FBP that requires signatures must be included in the physical case file.

#### B Release Because of Mutual Mistakes

SED's can authorize a release because of mutual mistakes only when they do all of the following:

- determine that a mutual error existed when the security was included in FSA's mortgage or lien
- obtain OGC's advice on whether a mutual mistake was made
- substantiate that the mistake was made
- document the findings in the borrower's FBP credit presentation.

#### C Release Because of No Evidence of Indebtedness

SED may release a borrower's mortgage or lien, if the records of State and County Offices and the RD Business Center, FLB contain no evidence of an existing indebtedness secured by the mortgage or lien.

**Note:** The authorized agency official should verify that the borrower has no outstanding debt with the Rural Development. The findings should be documented in the borrowers FBP credit presentation.

## 146 Release Without Monetary Compensation (Continued)

**D Borrower Requested Personal Property Security Release**

**[7 CFR 765.305(c)] The Agency will release its lien on chattel security without compensation, after written request from the borrower provided all the following criteria are satisfied:**

**Note:** The borrower will submit FSA-2061 to request a release of security.

**(1) The borrower is current on all loan accounts with FSA and has not received PLS, DBSA, or DSA on any loan within the last 36 months;**

\*--Borrowers who currently have an installment that is less than 90 days past due are not considered current and do not meet this requirement.

Borrowers that have executed a Conservation Contract without a PLS action may meet this requirement, as Conservation Contracts are not considered PLS.--\*

**(2) The borrower has paid in full direct term loan installments that include principal reduction in each of the last 3 calendar years;**

\*--**Notes:** The borrower must demonstrate timely payment according to loan schedules of all direct loan installments over the most recent 36-month period. When evaluating payment history, payments made no later than 90 days of the scheduled due date are considered timely. Borrowers must still be current at the time of request, see D(1).

To meet this requirement, installments must have originally included scheduled principal reduction. Scheduled payments consisting of interest only, regardless of any extra payments made, do not meet this requirement.--\*

**(3) After the release, the security margin on each Agency direct loan will be 125 percent (or more, if it is not practicable to separate the property, if necessary to ensure the loan is fully secured for the life of the loan, or if the borrower requests only a portion of Agency security to be released). The value of the retained and released security will normally be based on appraisals obtained as specified in § 761.7 of this chapter (1-FLP, Part 6); however, well documented recent sales of similar properties can be used if the Agency determines a supportable decision can be made without current appraisals;**

## 146 Release Without Monetary Compensation (Continued)

**D Borrower Requested Personal Property Security Release (Continued)**

The authorized agency official with SED delegated authority to prepare personal property appraisals under 1 FLP, Exhibit 7, will adequately document the analysis and determination to release security as provided in this paragraph. In some cases, more than a 125 percent security margin may be required. For example, borrowers with a balloon installment, the authority agency official must ensure adequate security is available when the balloon installment comes due. The authorized agency official will not release to 125 percent if the balloon installment is under secured. Non-PMI security will be considered for release prior to considering the release of security with perfected PMI.

**\*--Note:** The value of personal property security to be released does not need to be appraised or valued unless it is necessary to support the value of retained security; however, the value of security to be retained must be obtained and analyzed as instructed in D(3).--\*

Livestock can only be released in whole by species. Individual animal units within a species cannot be released.

**Example:** A release of a borrower's beef cattle herd can be authorized, but the agency will retain its lien on the borrower's swine herd to maintain the 125 percent security margin.

## 146 Release Without Monetary Compensation (Continued)

**D Borrower Requested Personal Property Security Release (Continued)**

Individual units of equipment may be released if the equipment is separate and identifiable, making it practical to separate the item(s) from the remaining security.

**Example 1:** FSA has a lien on three non-titled, and non-registered, homemade trailers of the same length and type; therefore, they are not separately identifiable. A release of lien can be authorized provided all three trailers are released and the 125 percent security margin is maintained. However, a release of just one of those trailers may not be possible if the borrower intends to maintain ownership of the released trailer, as FSA would not be able to identify which exact trailers it maintains a security interest in.

**Example 2:** FSA has a lien on three tractors, which include two John Deere tractors that were funded by FSA (PMI) and a Kubota tractor that represents non-PMI security. All three tractors are separate and identifiable per their brand, model, and serial numbers. The borrower has downsized their farm and no longer requires all three tractors. The borrower is requesting to release a tractor. A release of lien on an individual tractor is authorized provided that a 125 percent security margin is maintained. The Kubota tractor will be the first tractor considered for release as it represents non-PMI security.

**(4) Any asset requested for release must serve only as security for term loan(s) that have been outstanding for at least the prior 36 months and cannot serve as adequate security for another existing Agency direct loan;**

In some cases, it may not be feasible to determine primary or additional security taken at the time of the loan. For example, loans are restructured multiple times, and each time additional security was taken. It may not be possible to distinguish the primary security from additional. In those cases, an Administrator Exception can be submitted for review according to paragraph 4.



## 146 Release Without Monetary Compensation (Continued)

**(5) Except for CL, the borrower is unable to fully graduate as specified in § 765.101 (Part 2).**

The authorized agency official will prepare FBP credit presentation explaining how each of the applicable conditions above are met and submit the narrative along with supporting \*--documentation to the State Office for review and concurrence. A satisfactory environmental review must be completed. The environmental review will typically meet exception L-CatEx 1K, unless extraordinary circumstances exist, which require a higher level of environmental review (see 1-EQ).--\*

To meet the 36-month requirement for not having received PLS, DBSA, or DSA, the borrower's request can only be made at least 36 months since their initial loans. Supporting documentation will include all calculations and copies of any well-documented recent sales, such as recent auctions, or other transactions in the area. In addition, the authorized agency official will assure that requirements in Part 2 are completed. State Office officials will review the request and if they concur, submit the request to the SED for approval.

### **E Processing Release Requests**

The authorized agency official will inform the borrower in writing of the approval and include a copy of the FSA-2061 executed by the authorized agency official.

Security released without monetary compensation will be documented on the FSA-2045 in accordance with the form instructions. A new security agreement, FSA-2028, must be obtained in accordance with subparagraph 98 C, detailing the specific FSA security. This is of particular importance when equipment serves as FSA security, as FSA does not require a blanket security interest in all equipment and relies on updated security agreements to perfect its security interests.

FSA's blanket UCC-1 will not be amended to reflect the release of personal property security unless there is a specific category of security that is being released. For example, if all equipment security is released, the authorized agency official may file a UCC-3 to reflect the release, if determined necessary. SED will issue a State Supplement on amending financing statements after consulting with the Regional OGC, as appropriate, to satisfy State legal requirements.

**Notes:** If through a subsequent loan making action, an item of security that was released becomes FSA security again, that item(s) will be lined through on the FSA-2045, initialed and dated by an authorized loan official.

\*--A borrower may request that the agency file a UCC-3 to document release of specific items of equipment. In this instance, the borrower must pay FSA the cost for recording the UCC-3.--\*

## 146 Release Without Monetary Compensation (Continued)

**F Borrower Requested Real Estate Security Release**

**[765.351(f)] Real estate security may be released by FSA without compensation upon written request from the borrower when the requirements of paragraph (a) of this section (subparagraph 196 B), except paragraph (a)(3) of this section (subparagraph 196 B), are met, and all the following criteria are satisfied:**

**(1) The borrower is current on all loan accounts with FSA and has not received DBSA, DSA, or PLS within the last 36 months;**

\*--Borrowers who currently have an installment that is less than 90 days past due are not considered current and do not meet this requirement.

Borrowers that have executed a Conservation Contract without a PLS action may meet this requirement, as Conservation Contracts are not considered PLS.--\*

**(3) The borrower has paid in full scheduled direct term loan installments that include principal reduction in each of the last 3 calendar years;**

\*--**Notes:** The borrower must demonstrate timely payment according to loan schedules of all direct loan installments over the most recent 36-month period. When evaluating payment history, payments made no later than 90 days of the scheduled due date are considered timely. Borrowers must still be current at the time of request, see F(1).

To meet this requirement, installments must have originally included scheduled principal reduction. Scheduled payments consisting of interest only, regardless of any extra payments made, do not qualify for release without monetary compensation.--\*

**(3) The property released will not interfere with access to or operation of the remaining farm;**

**(4) Essential buildings and facilities will not be released if they reduce the utility or marketability of the remaining property;**

**(5) Any issues arising due to legal descriptions, surveys, environmental concerns, utilities are the borrower's responsibility and no costs or fees will be paid by FSA;**

## 146 Release Without Monetary Compensation (Continued)

**F Borrower Requested Real Estate Security Release (Continued)**

**(6) After the release, the security margin on each Agency direct loan will be 125 percent (or more if it is not practical to separate the property, if necessary to ensure the loan is fully secured for the life of the loan, or if the borrower requests only a portion of Agency security to be released). The value of the retained security will normally be based on appraisals obtained as specified in § 761.7 of this chapter (1-FLP, Part 6); however, well documented recent sales of similar properties can be used if the Agency determines a supportable decision can be made without current appraisals;**

The authorized agency official with SED delegated authority to prepare \* \* \* real estate \*--evaluations under 1-FLP, Exhibit 7 will adequately document the analysis and determination--\* to release security as provided in this paragraph. The 125 percent security margin applies to each direct loan on the account, including any proposed new loans.

**(7) Any asset requested for release must serve only as security for term loan(s) that have been outstanding for at least the prior 36 months and cannot serve as adequate security for another existing Agency direct loan;**

In some cases, it may not be feasible to determine primary or additional security taken at the time of the loan. For example, loans are restructured multiple times and each time additional security was taken. It may not be possible to distinguish the primary security. In those cases, an Administrator Exception can be submitted for review according to paragraph 4.

**(8) Except for CL, the borrower is unable to fully graduate as specified in § 765.101 (Part 4).**

The authorized agency official will prepare a FBP credit presentation explaining how each of the applicable conditions above are met and submit the narrative along with supporting \*--documentation to the State Office for review and concurrence. A satisfactory environmental review must be completed. The environmental review will typically meet L-CatEx 1K unless extraordinary circumstances exist which require a higher level of environmental review (see 1-EQ).--\*

To meet the 36-month requirement for not having received PLS, DBSA, or DSA, the borrower's request can only be made at least 36 months since their initial loan. Supporting documentation will include all calculations and copies of any well-documented recent sales, such as real estate comparables, recent auctions, or other transactions in the area. In addition, the authorized agency official will assure that requirements in Part 2 are completed. State Office officials will review the request and if they concur, submit the request to the SED for approval.

**G Appeals Rights**

If a request under this section cannot be approved, the borrower will be notified of all appeal rights according to 1-APP.

## 147 Releasing Valueless Liens

### A Conditions for Releasing Valueless Liens

SED's are authorized to release FSA mortgages or other liens, if 1 of the following is determined:

- the mortgage or lien has no present or prospective value
- enforcement of the mortgage or lien would be ineffectual or uneconomical.

SED authority may:

- be exercised under any of the following:
  - for the borrower to convey title of the property to a third party
  - because of litigation
  - if the account has been accelerated and either of the following is occurring:
    - Government is liquidating the security
    - borrower has voluntarily liquidated all other remaining security
- **not** be redelegated; however, an acting SED may approve releases.

SED's cannot release a valueless judgment lien or valueless statutory redemption rights, except with OGC's consent.

### B Information Required to Release a Valueless Lien

To determine the present or prospective value of the security to be released, the authorized agency official should obtain all of the following:

- market value appraisal report on the security prepared according to 1-FLP, Part 6 except in cases in which FSA determines that the lien is invalid

**Note:** Exceptions may be requested in accordance with paragraph 4 for appraisals completed between 12 and 18 months ago which have not been updated by the appraiser.

- names of the holders of prior liens on the property
- written verification of the amount secured by each lien that is before FSA's
- amount of taxes or assessments
- other items that might constitute a prior claim.

The authorized agency official must document this information in the borrower's FBP and submit the case file to SED for review.

161 General Requirements (Continued)

**F Furthering FSA Program Objectives**

**[7 CFR 765.301(f)] The disposition must enhance the program objectives of the Agency loan.**

**G Security Exchange or Replacement**

**[7 CFR 765.301(g)] When the borrower exchanges security property for other property or purchases new property with sale proceeds, the acquisition must be essential to the farming operation as well as meet the program objectives, purposes, and limitations for the type of loan.**

**H Proceeds Payable to Both the Borrower and FSA**

**[7 CFR 765.301(h)] All checks, drafts, or money orders which the borrower receives from the sale of Agency security must be payable to the borrower and the Agency. If all \*--FLP loan installments and any past due installments, for the period of the agreement--\* for the use of proceeds have been paid, however, these payments from the sale of normal income security may be payable solely to the borrower.**

**\*--162 Agreement for Disposition of Normal Income and Basic Personal Property Security--\***

**A Agreement for the Use of Proceeds**

See paragraph 20 for information on the preparation of the agreement.

**B Using the Agreement for the Use of Proceeds**

**[7 CFR 765.302(b)] The borrower must report any disposition of basic or normal income security to the Agency as specified in the agreement for the use of proceeds.**

**[7 CFR 765.302(c)] If a borrower wants to dispose of normal income security in a way different than provided by the agreement for the use of proceeds, the borrower must obtain the Agency's consent before the disposition unless all FLP payments planned on the agreement have been paid.**

**[7 CFR 765.302(d)] If the borrower sells normal income security to a purchaser not listed in the agreement for the use of proceeds, the borrower must immediately notify the Agency of what property has been sold and of the name and business address of the purchaser.**

**\*--162 Agreement for Disposition of Normal Income and Basic Personal Property Security (Continued)--\*****B Using the Agreement for the Use of Proceeds (Continued)**

\*--FSA will record the disposition of security on FSA-2045. When the borrower sells personal property and notifies FSA, the authorized agency official must complete FSA-2045--\* to record the:

- description of security sold
- quantity of security sold
- way in which security was sold (such as to a wholesaler, to a neighbor, etc.)
- date of sale
- amount of proceeds received
- use of proceeds (exact amount recorded for debt repayment, operating expenses, family living, or capital purchases).

The authorized agency official must indicate whether approval is granted for the disposition and use of proceeds by marking “yes” or “no”, initialing, and dating the agreement in the appropriate location. If the disposition or use of proceeds is not authorized on the agreement, the authorized agency official will take action according to Part 7, Section 2.

Normal income security dispositions listed on the FSA-2040 will continue to be reported and recorded until all annual installments due to FSA have been paid current. Basic security dispositions must be reported until FSA no longer has a lien against the security.

**C Government Payments and Insurance**

The borrower must submit documentation of all Government payments, crop insurance, and insurance proceeds derived from the loss of security.

**\*--162 Agreement for Disposition of Normal Income and Basic Personal Property Security  
(Continued)--\***

**D Modifying and Updating Agreements for the Use of Proceeds--\***

**[7 CFR 765.302(e)] The borrower must provide the Agency with the necessary information to update the agreement for the use of proceeds.**

**[7 CFR 765.302(f)] Changes to the agreement on the use of proceeds will be recorded, dated, and initialed by the borrower and the Agency.**

FSA and the borrower will document agreed upon changes to FBP and FSA-2040 through entering, initialing, and dating mutually accepted modifications as indicated for each FBP and FSA-2040. See 1-FLP, Part 8, Section 3.

**Note:** The authorized agency official and the borrower must complete a new FBP and revise FSA-2040 for major changes to the borrower's farming operation.

SED's may issue further guidance as needed on the changes that require FBP revision or replacement.

When FSA and the borrower agree to revisions over the telephone, the authorized agency official will:

- initial and date the change
- mark FBP or FSA-2040 with "Revised through telephone contact."
- send written confirmation to the borrower of any significant changes
- have the borrower date and initial the change the next time the borrower is in the County Office.



**\*--182 Post-Approval of Personal Property Disposition--\***

**A Post-Approval of Unapproved Dispositions**

When FSA discovers that a borrower has disposed of all or some of the security property not listed on the agreement or has used funds for some purpose not listed on the borrower's agreement, FSA may post-approve the disposition if all of the requirements of paragraph 163 are met.

The authorized agency official must document the decision to post-approve an unauthorized \*--personal property disposition on the agreement and in the borrower's FBP.--\*

**B Denying Post-Approval Requests**

\*--The authorized agency official may not post-approve a disposition of personal property if--\* the use of proceeds does not comply with paragraph 163. Servicing will continue according to subparagraph 181 A.

**C Determining the Disposed Security's Value**

FSA will not release its lien if the security was sold for less than the market value, until the full value of the security is remitted to FSA.

FSA will determine the disposed security's value in each unapproved disposition case through either:

- the most recent appraisal
- a current value price listing for similar property
- an updated property value appraisal based on FSA-2028 information.

**\*--183 Requirements for Handling Borrower Non-compliance--\***

**A Future Eligibility Decisions**

**[7 CFR 765.304(b)] Failure to cure the first unauthorized disposition in accordance with paragraph (a) of this section (subparagraph 181 A), or a second unauthorized disposition, whether or not cured, constitutes a non-monetary default, will be considered by the Agency when making eligibility determinations for future requests for assistance, may adversely impact such requests, and may result in civil or criminal action.**

\*--The authorized agency official will process the non-monetary default according to 5-FLP, Part 3. The default can be corrected by post-approval but will be considered by FSA in future eligibility decisions. If FSA does not post-approve the transaction or the borrower does not make restitution, FSA will proceed according to 5-FLP, Part 11, Section 2. DLS Customer Profile, Loan Servicing Information section, will be displayed with information related to Unauthorized Disposition of Security that was entered in DLS Special Servicing, Potential Non-Monetary Default (NMD) category.--\*

**184-195 (Reserved)**

**Section 3 Real Estate Security Releases, Exchanges or other Disposition  
of Portion or Interest**

**196 Requirements**

**A General**

**[7 CFR 765.351] The borrower must obtain prior consent from the Agency for any transactions affecting the real estate security, including but not limited to, sale or exchange of security, a right-of-way across security, and a partial release. The Agency may consent to such transactions provided the conditions in this section are met.**

**Notes:** This section also applies to subordinations and non-disturbance agreements made for non-lending purposes.

This section also covers conservation easements, as well as the sale of water and water rights.

\*--A lien waiver for Farm Programs is considered a subordination and will be processed under this section.--\*

The borrower must:

- complete and sign FSA-2061 with the assistance of the authorized agency official

**Note:** Only items 1 through 5 of the FSA-2061 are required if the transaction results in FSA debts being paid in full.

- provide a written contract or an agreement for the property indicating the price and terms of the transaction
- complete an operational review according to 4-FLP, Part 2, reflecting the proposed transaction. If the review reflects that the operation will be financially distressed, the account will be serviced according to 4-FLP, Part 3
- sell the property for not less than the appraised value unless FSA is being paid in full.



## 196 Requirements (Continued)

**B Conditions for Approval**

**[7 CFR 765.351(a)] The following conditions apply to all transactions affecting real estate:**

**[7 CFR 765.351(a)] (1) The transaction will enhance the objectives for which the Agency loan or loans were made;**

**[7 CFR 765.351(a)] (2) The transaction will not jeopardize the borrower's ability to repay the Agency loan, or is necessary to place the borrower's operation on a sound basis;**

**Note:** Partial releases after acceleration can be approved, according to subparagraph 197 E, as items (1) and (2) can be met by orderly liquidation.

**[7 CFR 765.351(a)] (3) Except for releases in paragraph (f) of this section \*--(subparagraph 146 F), the amount paid for the security being disposed of, or the rights--\* being granted, is not less than the market value and will be remitted to the lienholders in the order of lien priority;**

**Note:** Release of real estate security to be retained by the borrower is not authorized except in conjunction with an approved debt settlement action or as set forth in \*--subparagraph 146 F.--\*

Appraisals are required to determine market value of the right being granted, see paragraph 198. Conservation easements and rights-of-way granted to another federal agency still require appraisals to ensure that market value is being received.

**[7 CFR 765.351(a)] (4) The transaction must not interfere with the borrower's farming operation;**

**[7 CFR 765.351(a)] (5) The market value of the remaining security is adequate to secure the Agency loans, or if the market value of the security before the transaction was inadequate to fully secure the Agency loans, the Agency's equity in the security is not diminished;**

**[7 CFR 765.351(a)] (6) The environmental requirements of part 799 of this chapter must be met (1-EQ and 6-CP);**

See 1-FLP, subparagraph 222 C for guidance to identify potential wetlands that may be impacted by the proposed action.

## 196 Requirements (Continued)

**B Conditions for Approval (Continued)**

**[7 CFR 765.351(a)] (7) The borrower cannot graduate to other credit on any program except for CL;**

**\*--Note:** Account classification must have been completed within the last 24 months as required by 1-FLP, Part 8, Section 4. For accounts classified as 1 or 2, graduation review must have been completed according to requirements of Part 4.--\*

**[7 CFR 765.351(a)] (8) The borrower must not be ineligible due to disqualification resulting from Federal Crop Insurance violation according to 7 CFR part 718.**

**\*--C Sale of Timber, Gravel, Oil, Gas, Coal, Other Minerals, Water, or Water Rights--\***

**[7 CFR 765.351(b)] (1) Agency security instruments require that the borrower request and receive written consent from the Agency prior to certain transactions, including but not limited to, cutting, removal, or lease of timber, gravel, oil, gas, coal, or other minerals, except small amounts used by the borrower for ordinary household purposes.**

**(i) The sale of timber from real estate which secures an FLP loan will be considered a disposition of a portion of the security.**

**Note:** When renewable annual sales of timber can be projected, the proceeds may be treated as normal income.

**(ii) When the Agency has a security interest in oil, gas, or other minerals as provided by § 765.252(b) (subparagraph 99 G), the sale of such products will be considered a disposition of a portion of the security by the Agency.**

**\*--The sale of water or water rights from real estate that secures an FLP loan will be considered a disposition of a portion of the security.--\***

**D Compensation for Damage to Real Estate Security**

**[7 CFR 765.351(b)(2)] Any compensation the borrower may receive for damages to the surface of the real estate security resulting from exploration for, or recovery of, minerals must be assigned to the Agency. Such proceeds will be used to repair the damage, and any remaining funds must be remitted to lienholders in the order of lien priority or, with all lienholders' consent, used for an authorized loan purpose.**

**E Disposition of Security for Outstanding ST's**

**[7 CFR 765.351(a)(9)] The disposition of real estate security for an outstanding ST loan will only be authorized if the transaction will result in full repayment of the loan.**

Commodities produced by the property, such as when timber is thinned, can be sold without paying ST in full, as long as all proceeds are applied to ST.

**198 Appraisals****A Appraisal Requirements**

**[7 CFR 765.353(a)] (1) The Agency will obtain an appraisal of the security proposed for disposition.**

**(2) The Agency may waive the appraisal requirement when the estimated value is less \*--than \$50,000.--\***

The authorized agency official is responsible for estimating value. The estimate will be based upon the intended use of the real estate and will be supported by comparable sales and/or discussions with real estate agents and documented in the case file.

An appraisal report for the security to be transferred or released (except for releases without monetary compensation under subparagraph 146 E) will be obtained when the authorized agency official believes it necessary to protect the financial interest of the government or the \*--disposition is greater than \$50,000.--\*

**[7 CFR 765.353(b)] The Agency will obtain an appraisal of the remaining security if it determines that the transaction will reduce the value of the remaining security.**

A new appraisal report for the security being retained will only be obtained when the authorized agency official determines that the value of the retained property could be adversely affected by the loss of the transferred or released property.

**[7 CFR 765.353(c)] Appraisals, when required, will be conducted in accordance with § 761.7 of this chapter (1-FLP, Part 6).**

**Note:** Exceptions may be requested according to paragraph 4 for appraisals completed between 12 and 18 months ago.

Appraisal reports under this section may show the current market value of the property being transferred or released, and the property being retained (when determined appraisal is necessary), on a single appraisal report or on separate appraisal reports.

The value of rights to mining products, gravel, oil, gas, coal, or other minerals will be specifically included as a part of the appraised value of the real estate security.

## 199 Approving or Denying Partial Releases or Exchanges

### A Approval Authority

Approval officials may approve partial releases or exchanges when FSA indebtedness, after the transaction, does not exceed their approval authority for the type of loan or a combination of types of loans according to 1-FLP, subparagraph 29 D. When more than 1 type of loan is involved in the transaction, the loan approval authority of the approval official will be the highest combination amount authorized in 1-FLP, subparagraph 29 D for any loan types involved. SED is authorized to approve any transaction consistent with this section.

On an individual case basis, SED may approve a partial release or exchange for less than the appraised value under this paragraph when:

- the amount being received is within 10 percent of the appraised value

**Note:** This authority applies to this paragraph only.

**Example 1:** A borrower is selling a parcel of real estate and has agreed to a sales contract for \$200,000. However, the appraisal indicates a value of \$215,000. Since the appraisal is within 10 percent ( $215,000 \times .10 = 21,500 \sim 193,500 - 215,000$ ), the transaction can be approved without a DAFLP exception.

- the property has been professionally and extensively marketed.

\*--The authorized agency official must approve a partial release by executing either FSA-2061, or the electronic signature command in the credit presentation section of FBP, and FSA-2470.

If FSA-2061 is utilized to document approval of the partial release, the recommendation or decision must be supported within Part D of FSA-2061. A satisfactory environmental review (FSA-850) for the action must also be completed before approval and placed in the physical file.

Regardless of the method chosen to document approval of the partial release request, an operational review is typically required to be completed within FBP to ensure that the requirements in Part 7, Section 3 are met, including repayment ability. An operational review will not be required if either of the following conditions exist:

- the request will result in all agency debt being paid in full
- a sufficient operational review has been completed within the past year and no changes are expected as a result of the request.

For more complex requests, it may be more efficient to complete the credit action and approval in FBP, but the method used to document approval is ultimately left to the discretion of the authorized agency official.--\*



**199 Approving or Denying Partial Releases or Exchanges****A Approval Authority (Continued)**

The authorized agency official may approve the transaction by executing the electronic signature command in the credit presentation section of FBP. Under the electronic signature, the approval official may designate the FLM, SFLO, or FLO the responsibility to execute agency and required legal documents to complete the transaction.

The authorized agency official must include in the physical case file, all components of FBP that require signatures as provided in the FPB User Guide, available at <https://inside.fsa.usda.gov/program-areas/daflp/software-manuals/index>.

Processing and tracking a request for partial release will be done in DLS.

\*--For requests that involve both a lease and a SNDA, the FLC is primary approval official.--\*



**\*--Part 9 Transfer of Real Estate and Personal Property Security--\*****246 Transfer of Security and Assumption of Debt****A General**

**[7 CFR 765.401(a)] (1) Approval of a security transfer and corresponding loan assumption obligates a new borrower to repay an existing Agency debt.**

**(2) All transferees will become personally liable for the debt and assume the full responsibilities and obligations of the debt transferred when the transfer and assumption is complete. If the transferee is an entity, the entity and each entity member must assume personal liability for the loan.**

**(3) A transfer and assumption will only be approved if the Agency determines it is in the Agency's financial interest.**

FBP must demonstrate the repayment ability and management capacity of the transferee.

**\*--Note:** Applicant must be screened for debarment and suspension. See 3-FLP, paragraph 75, and paragraph 7.--\*

**[7 CFR 765.401(b)] A borrower must request and obtain written Agency consent prior to selling or transferring security to another party.**

FSA requires the transfer and assumption of security and FSA debt when:

- a new borrower wants to replace the existing borrower
- an existing borrower is now operating, or proposes to operate as an entity with a non-relative
- an existing borrower proposes to transfer FSA security to an entity controlled or owned by the borrower.

FSA requires an assumption of debt, but not a transfer of security (assumes title to assets is not changing) when:

- a new member wants to join the borrower entity
- the entity member withdraws when remaining entity members are not personally liable for the debt

**Note:** See definition of operator in Exhibit 2.

Operators include borrowers who obtained individual loans and later formed an operating entity with a relative. If the member with the individual loan owns at least 50 percent of the operating entity, the individual meets the definition of operator for loan servicing purposes.

## 246 Transfer of Security and Assumption of Debt (Continued)

### A General (Continued)

**\*--Example:** An individual obtains an FO and later forms an operating-only entity with a relative and obtains an OL for the same operation. The individual then needs servicing for the individual FO. In these cases, if the individual owns at least 50 percent of the operating entity, the definition of operation is met.

Borrowers who obtained individual loans and later formed an operating-only entity with a non-relative must have the entity assume the debt to be eligible for loan servicing, as provided in 4-FLP, subparagraph 248 C. However, transfer of the collateral to the entity is not required.

In either of these circumstances, the operating entity must have their own unique tax ID number.--\*

### B ST's

ST's will only be transferred on NP rates and terms according to subparagraph 248 E, unless transfer is required because of the death of a borrower, in which case transfer will be considered according to Part 10.

### C Junior Liens

When a transferee assumes:

- the transferor's entire FSA debt, SED's must concur with the proposed transfer of any junior liens
- less than the full amount of FSA's debt, junior liens to the assumed debt are prohibited.

### D Partial Transfer and Assumption

A borrower may transfer FSA indebtedness in whole notes only. The borrower and transferee may not split an individual loan. The borrower must demonstrate that a proposed partial sale is in the best financial interest of the operation and that the sale will not adversely affect the security and/or Government's financial interest.

The compensation received by the transferor and applied to the transferor's FSA debt may not be less than the market value of the property sold.

When the value of the property exceeds the debt to be assumed, the transferee may pay with cash on hand or obtained through credit. FSA applies such cash payment to the transferor's indebtedness according to Part 5.

## 248 Assumption Terms

**A Basic Policy**

Loans will generally be assumed on new rates and terms. A loan may only be assumed on the same rates and terms according to paragraph C.

**B Eligible Applicant - New Rates and Terms**

**[7 CFR 765.403(e)] The interest rate and loan term will be determined according to rates and terms established in part 764 (3-FLP) of this chapter for the type of loan being assumed.**

**C Eligible Applicant - Same Rates and Terms**

A transfer and assumption of all debt and security processed at the same rates and terms does not require an appraisal.

**[7 CFR 765.402] An eligible applicant may assume an Agency loan under the same rates and terms as the original note if:**

**(a) The original borrower has died and the spouse, other relative, or joint tenant who is not obligated on the note inherits the security property;**

**(b) A relative of the borrower or an entity comprised solely of relatives of the borrower assumes the debt along with the original borrower;**

\* \* \*

**(c) An individual with an ownership interest in the borrower entity buys the entire ownership interest of the other members and continues to operate the farm in accordance with loan requirements. The new owner must assume personal liability for the loan;**

**\*--Note:** Includes an existing individual borrower that has created a sole proprietor entity and will now operate the farm under the new entity.--\*

**(d) A new entity consisting of the same members as the borrower entity buys the borrower entity and continues to operate the farm in accordance with loan requirements;  
or**

## 248 Assumption Terms (Continued)

**C Eligible Applicant - Same Rates and Terms (Continued)**

**(e) The original loan is an EM loan for physical or production losses and persons who were directly involved in the farm's operation at the time of the loss will assume the loan. If the original loan was made to:**

- \*--(1) An individual borrower, the transferee must be a relative of the original borrower or an entity in which the entity members are comprised solely of relatives--\* of the original borrower.**
- (2) A trust, partnership or joint operation, the transferee must have been a member, partner or joint operator when FSA made the original loan or remain an entity comprised solely of people who were original entity members, partners or joint operators when the entity received the original loan.**
- (3) A corporation, including limited liability company, cooperative, or other legal business organization, the transferee must:**
- (i) Have been a corporate stockholder, cooperative member, or other member of a legal business organization, when the Agency made the original loan or will be an entity comprised solely of entity members who were entity members when the entity--\* received the loan; and**
- (ii) Assume only the portion of the physical or production loss loan equal to the transferee's percentage of ownership. In the case of entity transferees, the transferee must assume that portion of the loan equal to the combined percentages of ownership of the individual stockholders or entity members in the transferee.**

**\*--D Application Requirements**

**[7 CFR 765.402(f)] Transferees must submit a complete application in accordance with 7 CFR 764.51 of this chapter (3-FLP. subparagraph 42 A).**

FSA application requirements for transfer and assumption at same rates and terms are the same as an eligible applicant as described in subparagraph 247 A.

**E Security**

**[7 CFR 765.402(g)] All security must be transferred to the transferee with possession taken in accordance with the requirements of part 764 of this chapter for the type of loan being assumed (3-FLP Part 5).--\***

## 282 Servicemembers Civil Relief Act of 2003 (Continued)

**C Borrower Contact**

When the authorized agency official learns that a borrower plans to enter the Armed Forces on full-time active duty, the authorized agency official shall immediately contact the borrower to ensure that someone adequately cares for the borrower's loan security during their absence. The authorized agency official shall determine whether the borrower wants to:

- \*--retain personal property or real estate security while on active duty--\*
- lease real estate security while on active duty
- \*--dispose of personal property or real estate security before reporting to active duty.--\*

In addition, during the contact the authorized agency official shall ask the borrower to provide the servicing office with a copy of the military orders calling the service member to military service and any orders further extending military service that apply. The orders will be placed in position 4 of the case file. The contact efforts and the outcome must be documented in FBP running record.

**D Power of Attorney**

If the borrower decides to retain ownership of the FSA loan security while on active duty and there are no other parties liable for the debt, the authorized agency official shall encourage the borrower to authorize a power of attorney. The borrower may designate a power of attorney before entering active duty. A person designated with a power of attorney has the responsibility to ensure both:

- \*--proper use and maintenance of the borrower's personal property and real estate security--\*
- timely payment on the borrower's insurance, taxes, and FSA loan.

The borrower should be encouraged to use a military power of attorney prepared and executed pursuant to 10 U.S.C. 100b. No further legal review is required for a power of attorney prepared for the borrower by the military. SED's shall issue State supplements for all other acceptable power of attorney documents.

**E Real Estate Security Leases**

The authorized agency official, when appropriate, may encourage a borrower, while on active duty, to lease real estate security in which FSA has a security interest when the rental income fully repays the borrower's:

- annual installment
- real estate taxes
- required hazard insurance.

If the borrower decides to lease the real estate security, the authorized agency official may encourage the borrower to enter into a written lease and obtain an assignment of rental income proceeds in an amount sufficient to cover the borrower's annual FSA installment using FSA-2044.

**282 Servicemembers Civil Relief Act of 2003 (Continued)****F Disposal of Security**

If the borrower decides to sell the security before entering military service, the borrower may:

- dispose of the security with a voluntary sale and then apply the sale proceeds to the balance of the FSA loan according to Part 5
- transfer the security and the loan to another person according to Part 9.

**G Borrower Default**

If, while serving on active duty, the borrower becomes delinquent on payments or is otherwise in default, the authorized agency official will send the borrower and the person designated by the borrower with power of attorney notices as required by 5-FLP, Part 3. SED's will fully use the exception authority granted in 5-FLP when additional time is needed by the borrower for submitting a complete servicing application.

FSA may not sell or seize a borrower's property while the borrower is on active duty and 3 months thereafter, except by court order. OGC and SED must provide consent before an authorized agency official may accelerate an account.

If the account has been referred to DOJ, FSA must notify DOJ that the borrower is entitled to relief under the Servicemembers Civil Relief Act of 2003.

**H Security Abandonment**

If the borrower abandons the security, FSA will service the borrower's account according to 5-FLP, Part 18.

**I Failure to Cooperate**

The date a borrower is released from active duty may often be obtained from the Service Members Civil Relief Act website at <https://scra.dmdc.osd.mil/>.

\*--Access to the website may be established for verification of active duty status at the State Office. Each State Office may establish or open their own account as needed based on borrowers who are in active duty status. The application will send an 8-digit access code to the employee's email to enter the website. Google Chrome is the recommended browser.--\*

However, if the borrower fails to cooperate with FSA and the date cannot be obtained, the authorized agency official shall consult with the State Office for servicing guidance.



**Part 12 Transferring Borrower Records, Security, and Servicing Responsibilities**

**291 Procedures and Servicing Responsibility**

**A General**

When a borrower moves from 1 office jurisdiction to another, FSA will transfer loan records and servicing responsibilities. In general, the County Office for the borrower's old location should transfer borrower records when the farm headquarters is relocated to another jurisdiction.

When FSA has referred an account to DOJ or Treasury, borrower records will remain in the existing County Office location.

A County Office may not transfer a borrower's records to another County Office while FSA is considering a debt settlement application for that borrower.

**B Borrower Responsibilities**

When FSA receives notification that a borrower intends to relocate loan security, the authorized agency official must notify the borrower of his or her responsibilities arising from the move.

A borrower who moves or plans to move must:

- notify the County Office in which the security is currently located that they want to move FSA security and provide the intended new address or property location through FSA-2495
- arrange for the care and/or disposition of any loan-related security or properties that the borrower will not move
- promptly execute and provide recording and lien search fees for any new security instruments FSA may require.

For moves within a county, the borrower may apply verbally for approval to relocate security.

## 291 Procedures and Servicing Responsibility (Continued)

### C File Transfer and Notification Procedure

When files or servicing responsibilities are proposed for transfer to another FSA jurisdiction within the same State, the transferring County Office must route FSA-2495, together with the borrower's case file, to SED for concurrence and processing guidance.

When the borrower proposes a move to another State, the transferring County Office must route FSA-2495 and the borrower's case file to the transferring SED. SED reviews the transfer material for relocation acceptability and route the transfer material to the receiving State's SED. In such cases, the receiving SED will then:

- contact transferring SED with any concerns or questions
- notify the transferring SED of the address of the receiving County Office
- forward the transferred material to the receiving County Office.

The transferring County Office should process the transfer by completing a "9G" transaction in DLS.

The transferring County Office:

- shall send the receiving office the original security and debt instruments along with the case file, using a carrier method that provides for protection of PII and documentation of delivery
- \*--is responsible for notifying the borrower about whether the relocation of personal property is authorized.--\*

For moves within a county, the authorized agency official may verbally notify the borrower of FSA's decision. However, the authorized agency official should always document any decision in the borrower's FBP.

If FSA does not approve the transfer, the transferring County Office will service the case according to 5-FLP, Part 3.

Transferring and receiving FSA Offices may request each other's assistance as appropriate.

For special or problem circumstances accompanying a security or records relocation, SED should seek assistance from the Regional OGC.

291 Procedures and Servicing Responsibility (Continued)

D Receiving Office Responsibilities

New security instruments are necessary for borrower relocations and borrower crop and ~~personal property relocations, unless other guidance is provided through a State supplement or from the Regional OGC.~~

The receiving County Office must obtain a new UCC1 and FSA-2028 (3-FLP, Part 16) when a borrower moves:

- to a new farm and crops or fixtures on new real estate will serve as security
- to a new farm which is to serve as security
- ~~FSA personal property to a new County Office location.~~

The receiving County Office must obtain a new UCC1 and FSA-2028 as soon as possible, but no later than 30 calendar days after the borrower’s move.

If the borrower does not execute the new instruments, the County Office shall refer the case to SED with recommendations for appropriate action. Normally, the receiving County Office will notify the borrower according to 5-FLP, subparagraph 66 A and proceed to liquidation with the assistance of the transferring County Office. For interstate moves, the receiving County Office must execute and file a new UCC1 with the following text:

“The above collateral was brought into \_\_\_\_ from \_\_\_\_ County, State of \_\_\_\_, subject to a security interest of the Secured Party.”

The receiving County Office should see the applicable State supplement for instructions and guidance on lien searches.

292-300 (Reserved)



## Reports, Forms, Abbreviations, and Redelegations of Authority

### Reports

Title	Reporting Period	Submission Date	Negative Reports	Reference
Payment Corrections From Previous Calendar Years	Annually	By February 1 each year	Required	61

### Forms

This table lists all forms referenced in this handbook.

Form Number	Title	Display Reference	Paragraph Reference
AD-1026	Highly Erodible Land Conservation and Wetland Conservation Certification		116
CCC-679	Lien Waiver		118
FSA-850	Environment Screening Worksheet		199
FSA-2002	Three-Year Financial History		Ex. 20
FSA-2003	Three-Year Production History		Ex. 20
FSA-2025	Notification of Approval Terms and Conditions and Borrower Responsibilities		247-249
FSA-2026	Promissory Note		3, 247, Ex. 2, 20
FSA-2028	Security Agreement		Text, Ex. 2, 4
FSA-2029	Mortgage/Deed of Trust		3
FSA-2037	Farm Business Plan – Balance Sheet		116, Ex. 20
FSA-2038	Farm Business Plan – Income and Expenses		116, Ex. 20
FSA-2040	Agreement for the Use of Proceeds and Security		20, 162, 181, Ex. 29
FSA-2044	Assignment of Income		281
FSA-2045	Record of the Disposition of FSA Security/Release of Proceeds		146, 162, 166, 181
FSA-2061	Application for Partial Release or Consent	25.6	Text
FSA-2062	Application for Subordination to a Commercial Lender		116
FSA-2065	Annual Statement of Loan Account		64, Ex. 25.5
FSA-2071	Transmittal of Document		65
FSA-2072	Cancellation of U.S. Treasury Check and/or Obligation		61
FSA-2080	Release From Personal Liability		231, 247, 251
FSA-2420	Intent to ACL for Failure to Provide Information or to Graduate		19.5
FSA-2421	Intent to Convert Program Loans to Non-Program		19.5

## Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

## Forms (Continued)

Form Number	Title	Display Reference	Paragraph Reference
FSA-2422	Notice of Non-Program Rates and Terms		19.5
FSA-2425	Request to Cancel Undisbursed Loan Funds		61
FSA-2429	Request for Change in Application		61
FSA-2433	Satisfaction of Lien		65, 147
FSA-2445	Control Log PLAS/GLAS Account Corrections		97
FSA-2446	PLAS/GLAS Account Correction		97
FSA-2450	Temporary Amendment of Consent to Payment of Proceeds From Sale of Farm Proceeds		162
FSA-2455	Subordination by the Government		120
FSA-2465	Assignment, Acceptance, and Release (Wool and Mohair)		166
FSA-2470	Partial Release		166, 212, 146, 147, 199
FSA-2476	Transfer of Real Estate Security		247
FSA-2489	Assumption Agreement		247
FSA-2490	Deceased Borrower Report		266
FSA-2495	Application to Move Security Property		291
FSA-2543	Shared Appreciation Agreement		3, 97, 267
FSA-2551	Request for Non-monetary Default Determination		100, 181
FSA-2585	Acquisition or Abandonment of Secured Property		Ex. 25.5
FSA-2722	Update to TOP and Cross-Servicing Information		282
IRS 1098	Mortgage Interest Statement		61, Ex. 25.5
IRS 1099-A	Acquisition or Abandonment of Secured Property		Ex. 25.5
IRS 1099-C	Cancellation of Debt		Ex. 25.5
IRS 1099-G	Certain Government Payments		Ex. 25.5
IRS 1099-INT	Interest Income		Ex. 25.5
IRS 1099-MISC	Miscellaneous Income		Ex. 25.5
IRS W-9	Request for Taxpayer Identification Number and Certification		68
UCC-1	National Financing Statement		247, 291
UCC-3	National Amendment Form		146
RD-3550-28	Authorization Agreement for Preauthorized Payments		66, 67

## Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

## Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

<b>Approved Abbreviation</b>	<b>Term</b>	<b>Reference</b>
AI	account information	65
APCD	type of applicant code	Ex. 25.5
CB	Collections Branch	66, 67
CFS	Central Filing System	102
CL	conservation loan	Text, Ex. 2
CNC	currently not collectible	Ex. 25.5
CONACT	Consolidated Farm and Rural Development Act	1, Ex. 2
CSB	Community Servicing Branch	67
DBSA	Distressed Borrower Set-Aside	146, 283
DSA	Disaster Set-Aside	146, 283
ECM	Enterprise Content Management	61
FLB	Farm Loan Branch	Text, Ex. 51-53
GL	guide letter	2
NP	nonprogram loan	Text
PAD	Preauthorized Debit	66, 67
PF	Payoff Balance	65
PIN	personal ID number	63
PLS	primary loan servicing	61, 98, 146, 197, 283
PML	Pay My Loan	61
PRB	Program Reports Branch	Ex. 25.5
RC	report code	Text, Ex. 25.5
SAA	Shared Appreciation Agreement	117, Ex. 2
SAM	System for Award Management	7
SNDA	subordination, non-disturbance, and attornment	99, 199, Ex. 25.6
ST	softwood timber loan	16, 196, 246
SW	soil and water	19
TDCLCR	Term Debt and Capital Lease Coverage Ratio	21, 32
VRU	Voice Response System	63

**Reports, Forms, Abbreviations, and Delegations of Authority (Continued)**

**Delegations of Authority**

SED's may redelegate their authority to approve:

- \*--subordinations, release without monetary compensation, or releasing and refiling lien--\* instruments instead of subordination to FLC, FLS, or DD
- surface leases for farm property no longer in use (such as old barns) or for nonfarm purposes (such as wind turbines, communication towers, or other similar installations) to FLC, FLS, or DD
- severance agreement to FLC, FLS, or DD
- transfer and assumption to FLC, FLS, or DD.



**Definitions of Terms Used in This Handbook (7 CFR 761.2(b))****Abandoned Security Property**

**Abandoned security property is security property that a borrower is not occupying, or is not in possession of, or has relinquished control of, and has not made arrangements for its care or sale.**

**Acceleration**

Acceleration is a demand by a lender for immediate repayment of the entire balance of a debt if the security instrument or promissory note is breached. When FSA accelerates an account, the entire loan balance is due in 30 calendar days.

**Additional Security**

**Additional security is any property which provides security in excess of the amount of security value equal to the loan amount.**

**Agency**

**Agency is FSA, an agency of USDA, including its personnel and any successor Agency.**

**Agency Official**

Agency official is any employee with the agency. This term is used when the action does not require inherent or delegated authority.

**\*--Agreement for the Use of Proceeds**

**Agreement for the use of proceeds is an agreement between the borrower and the Agency for each production cycle that reflects the proceeds from the sale of normal income security that will be used to pay scheduled FLP loan installments, including any past due installments, during the production cycle covered by the agreement.--\***

**Approval Official**

Approval official is the specific employee who has the authority to approve or deny the described action.

**Assumption**

**Assumption is the act of agreeing to be legally responsible for another party's indebtedness.**

**Authorized Agency Official**

Authorized agency official is an employee who has either inherent or delegated authority to complete the described action.

**Definitions of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)****Basic Security**

**Basic security is all farm machinery, equipment, vehicles, foundation and breeding livestock herds and flocks, including replacements, and real estate that serves as security for a loan made or guaranteed by the Agency.**

**Borrower (or Debtor)**

**Borrower (or debtor) is an individual or entity that has an outstanding obligation to the Agency or to a lender under any direct or guaranteed FLP loan, without regard to whether the loan has been accelerated. The term “borrower” includes all parties liable for such obligation, including collection-only borrowers, except for debtors whose total loans and accounts have been voluntarily or involuntarily foreclosed, sold, or conveyed, or who have been discharged of all such obligations owed to the Agency or guaranteed lender.**

\* \* \*

**Civil Action**

**Civil action is a court proceeding to protect the Agency’s financial interests. A civil action does not include bankruptcy and similar proceedings to impound and distribute the bankrupt’s assets to creditors, or probate or similar proceedings to settle and distribute estates of incompetents or decedents, and pay claims of creditors.**

**Collateral**

**Collateral is property pledged as security for a loan to ensure repayment of an obligation.**

**IRS Forms, Corrections, and Reports**

**A IRS Forms**

County Offices receive reports for the year ending December 31 of FLP borrowers reported on IRS 1099-A, IRS 1099-C, IRS 1099-G, and copies of IRS 1099-INT and IRS 1099-MISC with the form mailed to the borrower, as applicable.

**Note:** The RD Business Center, PRB reports this information to IRS and the borrower.

The following forms are mailed out by **COB January 31** of each year.

<b>IRS Form</b>	<b>Explanation</b>
1098	<p>IRS 1098:</p> <ul style="list-style-type: none"> <li>• is attached to FSA-2065 for the annual yearend reporting</li> <li>• applies only to loans secured by real estate only or secured by real estate *--and personal property.--*</li> </ul>
1099-A	<p>IRS 1099-A is sent to IRS and the affected FLP borrowers:</p> <ul style="list-style-type: none"> <li>• whose security property was acquired as a full or partial satisfaction of their debt during the calendar year</li> <li>• reported on FSA-2585 during the calendar year.</li> </ul> <p><b>Note:</b> Use FSA-2585 as a substitute for IRS 1099-A when State and County Offices become aware of an abandonment and the acquisition <b>will not</b> be processed within 6 months. The borrower receives 1 copy and the RD Business Center, PRB receives the other copy through e-mail at <b>RD-MOSTL-NFAOC-PRB@stl.usda.gov</b> no later than the <b>first workday in January</b>. Contact information is available in 1-FLP, subparagraph 5 E. The information on the RD Business Center, PRB copy is data converted and merged with the IRS 1099-A acquisition data reported to IRS. It is <b>critical</b> that all spaces on FSA-2585 be completed.</p> <p>County Offices receive RC 960 that identifies each borrower, the unpaid principal, and market value of the acquired or abandoned property reported to IRS and the borrower.</p>

IRS Forms, Corrections, and Reports (Continued)

A IRS Forms (Continued)

IRS Form	Explanation
1099-C	<p>IRS 1099-C is provided to each borrower with a direct loan that had debt discharged through a writeoff, shared appreciation write-down, * * * or writeoff of a lease account during the calendar year. Writeoffs processed with a class of writeoff code “5”, which are CNC (borrower is <b>not</b> released from liability), and equity receivable <b>writeoffs</b> are <b>not</b> reported to IRS. The total amount of debt canceled with an effective date in the calendar year will be reported on IRS 1099-C. The amount includes the following:</p> <ul style="list-style-type: none"> <li>• deferred interest</li> <li>• deferred noncapitalized interest</li> <li>• interest discharged from the note and advance</li> <li>• noncapitalized interest</li> <li>• principal discharged from the note and advance.</li> </ul> <p>County Offices receive RC 970 that identifies each borrower and the amount of discharged debt reported to IRS and the borrower.</p>
1099-G	<p>IRS 1099-G will be provided to <b>all</b> recipients of grant funds during the calendar year. Grant disbursements with current year check dates will be reported.</p> <p>IRS 1099-G generated with invalid addresses will be mailed to the appropriate State Office to distribute immediately to the grant recipients. Servicing offices will receive RC 980 that identifies each grant recipient and the disbursed amount reported to IRS and the borrower.</p>
1099-INT	<p>IRS 1099-INT is provided to IRS for direct loan borrowers who received interest income (interest paid) on refunds made under the Internal Administrative Offset Program.</p> <p><b>*--Note:</b> The RD Business Center, PRB mails a copy to the borrower and--* the County Office. IRS 1099-INT is sent to borrowers who <b>must</b> have APCD on the ADPS MI Status Screen of “1”, “Individual”, or “2”, “Partnership”, and interest paid of \$10.01 or more. These forms are prepared manually.</p>
1099-MISC	<p>IRS 1099-MISC is provided to IRS for individuals who received payments <b>from FSA</b> for a nonclass action, discrimination claim settlement. A copy is mailed to the individual and the County Office. These forms are prepared manually.</p>

Examples of How to Complete FSA-2061

A Example 1 - Release of a Portion of FSA Real Estate Security

Ms. Elsa L. Cropper operates her farm on a 100-acre parcel. She also possesses a separate 5-acre parcel adjacent to the farm, but this parcel does not contribute to farm production and is not relied upon for farm operations. Both parcels serve as FSA real estate security, but Ms. Cropper is requesting to sell the 5-acre parcel for \$40,000 and will apply all sales proceeds to her FSA loan number 41-01.

<b>FSA-2061</b> (09-25-24)	U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency	Position 5
<b>APPLICATION FOR RELEASE OR CONSENT</b>		
<i>INSTRUCTIONS: Return this completed form to your County FSA Office.</i>		
<b>PART A - BORROWER REQUEST – REAL ESTATE SECURITY</b>		
Note: If the transaction will result in all FSA debt being paid in full, Part A Items 1 through 5 are required.		
1. The undersigned (a) <u>Elsa Lee Cropper</u>		
<hr/> ("Borrower") in accordance with the terms of the real estate security instruments now held by the United States, acting through U.S. Department of Agriculture, Farm Service Agency (called "Government") on the property, applies for:		
(b) release, <u>Sell a 5-acre parcel, which represents a portion of FSA Real Estate Security</u>		
<hr/> (c) Subordination, Non-Disturbance and Attornment Agreement (SNDA)		
<hr/> (d) consent to,		
<hr/>		
2. Description of Property: Tax Parcel Number 991234567. Vacant parcel with no structures and no crops. This parcel has not contributed to farm production and is not currently relied upon for farm operations.		
3. Name of lienholder, approximate amount of each lien, including FSA in the order of lien priority prior to proposed transaction:		
A. Name of Lien Holder	B. Approximate Amount of Lien	C. Lien Priority
USDA, Farm Service Agency	\$200,000	1st
4. The use to be made of the property covered by this application: Sold to a potential buyer via public listing. Future use is not a concern as the borrower's and FSA's interest in the property are legally transferred and proceeds will not be utilized for any development and will be applied toward the borrower's FSA loan.		
5. The anticipated proceeds or benefits from this transaction are:  \$40,000		
6. Borrower proposes to use the proceeds as follows:  Applied towards FSA loan #41-01 as an extra payment.		

Examples of How to Complete FSA-2061 (Continued)

A Example 1 - Release of a Portion of FSA Real Estate Security (Continued)

FSA-2061 (09-25-24)		Page 2 of 5	
7. Complete Application for Release or Consent		YES	NO
A. Copy of proposed contract or agreement		<input checked="" type="checkbox"/>	<input type="checkbox"/>
B. Copy of environmental assessment for proposed release or consent, if available ( <i>This will not replace FSA's environmental assessment, but may be helpful as documentation</i> )		<input type="checkbox"/>	<input type="checkbox"/> N/A
C. Copy of survey, if needed, with legal description for partial release or consent		<input type="checkbox"/>	<input type="checkbox"/> N/A
D. Documentation required for operational review:			
(1) Actual financial performance for the past year ( <i>a copy of your last year's tax return or last year's income and expense records are acceptable</i> )		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(2) Current balance sheet		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(3) Projected income/expense for next year ( <i>a copy of your current year's is also acceptable</i> )		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(4) Annual crop and livestock production yields		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(5) Review and update, if needed, of assessment ( <i>copy attached</i> ). Please pencil in comments or changes		<input checked="" type="checkbox"/>	<input type="checkbox"/>
E. FSA will obtain an appraisal		<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>PART B - BORROWER REQUEST – PERSONAL PROPERTY SECURITY – ONLY FOR RELEASE WITHOUT COMPENSATION</b>			
1. The undersigned (a) _____ _____			
"Borrower") in accordance with the terms of the personal property security instruments now held by the United States, acting through U.S. Department of Agriculture, Farm Service Agency ( <i>called "Government"</i> ) on the property, applies for:			
(b) release, _____			
2. Description of Property from the current FSA-2028 (Security Agreement): _____			
3. Name of lienholder, approximate amount of each lien, including FSA in the order of lien priority prior to proposed transaction:			
A. Name of Lien Holder	B. Approximate Amount of Lien	C. Lien Priority	
4. Complete Application for Release or Consent		YES	NO
A. Documentation required for operational review:			
(1) Actual financial performance for the past year ( <i>a copy of your last year's tax return or last year's income and expense records are acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(2) Current balance sheet		<input type="checkbox"/>	<input type="checkbox"/>
(3) Projected income/expense for next year ( <i>a copy of your current year's is also acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(4) Annual crop and livestock production yields		<input type="checkbox"/>	<input type="checkbox"/>
(5) Review and update, if needed, of assessment ( <i>copy attached</i> ). Please pencil in comments or changes		<input type="checkbox"/>	<input type="checkbox"/>
B. FSA will obtain an appraisal		<input type="checkbox"/>	<input type="checkbox"/>

Examples of How to Complete FSA-2061 (Continued)

A Example 1 - Release of a Portion of FSA Real Estate Security (Continued)

FSA-2061 (09-25-24)		Page 3 of 5	
<b>PART C – CERTIFICATIONS AND SIGNATURES</b>			
1. Have you, or any members of an entity, if applicable, ever been:		YES	NO
A. Convicted under any Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the previous 5 crop years? (See the Food Security Act of 1985, Pub. Law. 99-198)		<input type="checkbox"/>	<input checked="" type="checkbox"/>
B. Determined ineligible for Federal benefits based on a conviction for the distribution of controlled substances or any offense involving the possession of a controlled substance under 21 U.S.C. 862?		<input type="checkbox"/>	<input checked="" type="checkbox"/>
C. Determined ineligible for Federal benefits based on Federal Crop Insurance Corporation fraud? (See 7 U.S.C. 1515)		<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Explanation for any "YES" answers to Item 1:			
3. ECOA - RIGHT TO RECEIVE APPRAISAL: As part of the assistance provided by FSA, an appraisal report or written real estate valuation may be required to determine the value of the property you intend to pledge or have pledged as security. If FSA orders an appraisal or completes a written real estate valuation, you will receive a copy at no cost. You will receive a copy at least three business days prior to the closing of your loan or servicing action. On occasion, the three-day waiting period could cause a delay in closing the loan or servicing action. If you so choose, you have a right to waive this waiting period and a copy will be provided to you no later than the time of loan closing or servicing action.			
4. I understand that unless FSA executes a separate written instrument for partial release, FSA's approval of this application will merely constitute and evidence FSA's consent, as lienholder, to the proposed transaction without in any way releasing any of its security, modifying the payment terms of my loans, or otherwise affect any FSA rights. If this application is approved, I agree to comply with such terms as may be set by FSA and to dispose of the proceeds as required by FSA.  The statements and representations made above are made in connection with the request for a change in the loan security and/or the release of USDA- provided funds. The making of any false statement or misrepresentations herein may be a crime punishable under 18 U.S.C., §1001. I certify that the statements made are true, complete, and correct to the best of my knowledge and belief.			
5A. Signature of Borrower		5B. Date	
SIGNATURE of Elsa Lee Cropper		10/10/2024	
5A. Signature of Borrower		5B. Date	
5A. Signature of Borrower		5B. Date	
5A. Signature of Borrower		5B. Date	

Examples of How to Complete FSA-2061 (Continued)

A Example 1 - Release of a Portion of FSA Real Estate Security (Continued)

<b>FSA-2061</b> (09-25-24)		Page 4 of 5	
<b>PART D - FSA APPROVAL (For FSA Use Only)</b>			
1. Recommendation for approval/denial of the request and comments:		Borrower:	Elsa Lee Cropper
<p>Recommend for Approval as the request meets all of the applicable conditions under 4-FLP subparagraph 196B, 197A(1), and 198A.</p> <p>The requested partial release will not affect the farm's repayment ability or ability to operate. The requested partial release will pay down the borrower's FSA debt, which will improve her overall financial position and chances of obtaining commercial credit in the future.</p> <p>Per 4-FLP subparagraph 198A(2), an appraisal was not required as the value of real estate involved is less than \$50,000. An estimated value was utilized, which has been documented within the file.</p>			
2A. Initial Payment		2B. Subsequent Payment	
(1) to prior liens		(1) % to prior liens	or
(2) to extra payment on FSA loan	\$40,000	(2) % to extra payment of FSA loan	or
(3) to regular payment on FSA loan		(3) % to regular payment of FSA loan	or
(4) other (specify):		(4) other (specify):	or
(5) to borrower		(5) % to borrower	or
3. I hereby:			
A. Recommend this application for approval <input checked="" type="checkbox"/>		B. Do NOT recommend this application be approved <input type="checkbox"/>	
C. Recommending Official Name John C. Green		D. Recommending Official Title Farm Loan Officer	
E. Signature SIGNATURE of John C. Green		F. Date 10/11/24	
4. I hereby:			
A. Approve this application <input checked="" type="checkbox"/>		B. Do NOT approve this application <input type="checkbox"/>	
C. Reason for denial of the request			
D. Approving Official Name Audrey S. Ashburn		E. Approving Official Title Farm Loan Manager	
F. Signature SIGNATURE of Audrey S. Ashburn		G. Date 10/12/24	



**Examples of How to Complete FSA-2061 (Continued)**

**B Example 2 - Release of All FSA Real Estate Security and FSA Is Expected To Be Paid in Full**

Ranch That Goes Moo, LLC is selling all their FSA real estate security, which includes a 200-acre parcel and 75-acre parcel. The properties will be listed for a total of \$550,000, and FSA is expected to be paid in full through the transaction.

<b>FSA-2061</b> (09-25-24)	U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency	Position 5
<b>APPLICATION FOR RELEASE OR CONSENT</b>		
<i>INSTRUCTIONS: Return this completed form to your County FSA Office.</i>		
<b>PART A - BORROWER REQUEST – REAL ESTATE SECURITY</b>		
Note: If the transaction will result in all FSA debt being paid in full, Part A Items 1 through 5 are required.		
1. The undersigned (a) <u>Ranch That Goes Moo, LLC</u>  ("Borrower") in accordance with the terms of the real estate security instruments now held by the United States, acting through U.S. Department of Agriculture, Farm Service Agency (called "Government") on the property, applies for:		
(b) release, <u>Sell all FSA security, which includes a 200-acre parcel and 75-acre parcel</u>		
(c) <u>Subordination, Non-Disturbance and Attornment Agreement (SNDA)</u>		
(d) consent to, _____		
2. Description of Property: 200-acre parcel: Tax parcel # 995551116, which contains all pastureland. 75-acre parcel: Tax parcel #995551117, which contains a residence, barn, and pastureland.		
3. Name of lienholder, approximate amount of each lien, including FSA in the order of lien priority prior to proposed transaction:		
A. Name of Lien Holder	B. Approximate Amount of Lien	C. Lien Priority
USDA, Farm Service Agency	\$400,000	1st
4. The use to be made of the property covered by this application:  Sold to a potential buyer via public listing. Future use is not a concern as all FSA loans will be paid in full via the proposed sale.		
5. The anticipated proceeds or benefits from this transaction are:  \$550,000, which will pay all FSA loans (#41-02 & #44-03) in full.		
6. Borrower proposes to use the proceeds as follows:  Applied towards FSA loan #41-01 as an extra payment.		

Examples of How to Complete FSA-2061 (Continued)

**B Example 2 - Release of All FSA Real Estate Security and FSA Is Expected To Be Paid in Full (Continued)**

FSA-2061 (09-25-24)		Page 2 of 5	
7. Complete Application for Release or Consent		YES	NO
A. Copy of proposed contract or agreement		<input type="checkbox"/>	<input type="checkbox"/>
B. Copy of environmental assessment for proposed release or consent, if available ( <i>This will not replace FSA's environmental assessment, but may be helpful as documentation</i> )		<input type="checkbox"/>	<input type="checkbox"/>
C. Copy of survey, if needed, with legal description for partial release or consent		<input type="checkbox"/>	<input type="checkbox"/>
D. Documentation required for operational review:			
(1) Actual financial performance for the past year ( <i>a copy of your last year's tax return or last year's income and expense records are acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(2) Current balance sheet		<input type="checkbox"/>	<input type="checkbox"/>
(3) Projected income/expense for next year ( <i>a copy of your current year's is also acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(4) Annual crop and livestock production yields		<input type="checkbox"/>	<input type="checkbox"/>
(5) Review and update, if needed, of assessment ( <i>copy attached</i> ). Please pencil in comments or changes		<input type="checkbox"/>	<input type="checkbox"/>
E. FSA will obtain an appraisal		<input type="checkbox"/>	<input type="checkbox"/>
<b>PART B - BORROWER REQUEST – PERSONAL PROPERTY SECURITY – ONLY FOR RELEASE WITHOUT COMPENSATION</b>			
1. The undersigned (a) _____  "Borrower") in accordance with the terms of the personal property security instruments now held by the United States, acting through U.S. Department of Agriculture, Farm Service Agency ( <i>called "Government"</i> ) on the property, applies for:  (b) release,  _____			
2. Description of Property from the current FSA-2028 (Security Agreement):  _____			
3. Name of lienholder, approximate amount of each lien, including FSA in the order of lien priority prior to proposed transaction:			
A. Name of Lien Holder	B. Approximate Amount of Lien	C. Lien Priority	
4. Complete Application for Release or Consent		YES	NO
A. Documentation required for operational review:			
(1) Actual financial performance for the past year ( <i>a copy of your last year's tax return or last year's income and expense records are acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(2) Current balance sheet		<input type="checkbox"/>	<input type="checkbox"/>
(3) Projected income/expense for next year ( <i>a copy of your current year's is also acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(4) Annual crop and livestock production yields		<input type="checkbox"/>	<input type="checkbox"/>
(5) Review and update, if needed, of assessment ( <i>copy attached</i> ). Please pencil in comments or changes		<input type="checkbox"/>	<input type="checkbox"/>
B. FSA will obtain an appraisal		<input type="checkbox"/>	<input type="checkbox"/>

Examples of How to Complete FSA-2061 (Continued)

**B Example 2 - Release of All FSA Real Estate Security and FSA Is Expected To Be Paid in Full (Continued)**

FSA-2061 (09-25-24)		Page 3 of 5	
PART C – CERTIFICATIONS AND SIGNATURES			
1. Have you, or any members of an entity, if applicable, ever been:		YES	NO
A. Convicted under any Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the previous 5 crop years? (See the Food Security Act of 1985, Pub. Law. 99-198)		<input type="checkbox"/>	<input type="checkbox"/>
B. Determined ineligible for Federal benefits based on a conviction for the distribution of controlled substances or any offense involving the possession of a controlled substance under 21 U.S.C. 862?		<input type="checkbox"/>	<input type="checkbox"/>
C. Determined ineligible for Federal benefits based on Federal Crop Insurance Corporation fraud? (See 7 U.S.C. 1515)		<input type="checkbox"/>	<input type="checkbox"/>
2. Explanation for any "YES" answers to Item 1:			
3. ECOA - RIGHT TO RECEIVE APPRAISAL: As part of the assistance provided by FSA, an appraisal report or written real estate valuation may be required to determine the value of the property you intend to pledge or have pledged as security. If FSA orders an appraisal or completes a written real estate valuation, you will receive a copy at no cost. You will receive a copy at least three business days prior to the closing of your loan or servicing action. On occasion, the three-day waiting period could cause a delay in closing the loan or servicing action. If you so choose, you have a right to waive this waiting period and a copy will be provided to you no later than the time of loan closing or servicing action.			
4. I understand that unless FSA executes a separate written instrument for partial release, FSA's approval of this application will merely constitute and evidence FSA's consent, as lienholder, to the proposed transaction without in any way releasing any of its security, modifying the payment terms of my loans, or otherwise affect any FSA rights. If this application is approved, I agree to comply with such terms as may be set by FSA and to dispose of the proceeds as required by FSA.  The statements and representations made above are made in connection with the request for a change in the loan security and/or the release of USDA- provided funds. The making of any false statement or misrepresentations herein may be a crime punishable under 18 U.S.C., §1001. I certify that the statements made are true, complete, and correct to the best of my knowledge and belief.			
5A. Signature of Borrower		5B. Date	
SIGNATURE of Ranch That Goes Moo, LLC member with signature authority.		10/10/2024	
5A. Signature of Borrower		5B. Date	
5A. Signature of Borrower		5B. Date	
5A. Signature of Borrower		5B. Date	

Examples of How to Complete FSA-2061 (Continued)

**B Example 2 - Release of All FSA Real Estate Security and FSA Is Expected To Be Paid in Full (Continued)**

FSA-2061 (09-25-24)		Page 4 of 5	
<b>PART D - FSA APPROVAL (For FSA Use Only)</b>			
1. Recommendation for approval/denial of the request and comments:		Borrower:	Ranch That Goes Moo, LLC
<p>Recommend approval as FSA will be paid in full.</p>			
2A. Initial Payment		2B. Subsequent Payment	
(1) to prior liens		(1) % to prior liens	or
(2) to extra payment on FSA loan	\$400,000	(2) % to extra payment of FSA loan	or
(3) to regular payment on FSA loan		(3) % to regular payment of FSA loan	or
(4) other (specify):		(4) other (specify):	or
(5) to borrower		(5) % to borrower	or
3. I hereby:			
A. Recommend this application for approval <input checked="" type="checkbox"/>		B. Do NOT recommend this application be approved <input type="checkbox"/>	
C. Recommending Official Name John C. Green		D. Recommending Official Title Farm Loan Officer	
E. Signature SIGNATURE of John C. Green		F. Date 10/11/24	
4. I hereby:			
A. Approve this application <input checked="" type="checkbox"/>		B. Do NOT approve this application <input type="checkbox"/>	
C. Reason for denial of the request			
D. Approving Official Name Audrey S. Ashburn		E. Approving Official Title Farm Loan Manager	
F. Signature SIGNATURE of Audrey S. Ashburn		G. Date 10/12/24	

**Examples of How to Complete FSA-2061 (Continued)**

**C Example 3 - Consent to Right-of-Way Easement on FSA Real Estate Security**

Mr. Joseph M. Cooper has been approached by a land developer in the area, Big Land Corporation, who is in the process of developing new parcels behind Mr. Cooper's property and will need to develop an access road for those new parcels. The proposed access road would run along the entire western property line of Mr. Cooper's parcel, which is unfenced and 1,000 feet long. The road will encroach 15 feet into Mr. Cooper's property line throughout the entire western side of his parcel. In return for granting this right-of-way easement, the land developer is offering to pay Mr. Cooper \$15,000. Mr. Cooper is requesting FSA's consent and approval to grant the requested right-of-way easement.

<b>FSA-2061</b> (09-25-24)	U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency	Position 5
<b>APPLICATION FOR RELEASE OR CONSENT</b>		
<i>INSTRUCTIONS: Return this completed form to your County FSA Office.</i>		
<b>PART A - BORROWER REQUEST - REAL ESTATE SECURITY</b>		
<i>Note: If the transaction will result in all FSA debt being paid in full, Part A Items 1 through 5 are required.</i>		
1. The undersigned (a) <u>Joseph Matthew Cooper</u> <hr/> ("Borrower") in accordance with the terms of the real estate security instruments now held by the United States, acting through U.S. Department of Agriculture, Farm Service Agency (called "Government") on the property, applies for: (b) release, <hr/> <hr/> (c) Subordination, Non-Disturbance and Attornment Agreement (SNDA) <hr/> (d) consent to, <u>Grant Right of Way to Big Land Corporation for the Development of an Access Road 2.</u>		
2. Description of Property: 15,000 sq. ft. portion of Tax Parcel Number 884412356. The proposed access road will run along the entire length of his western property line (1,000 ft. long) and will encroach 15 ft. into the borrower's property line throughout the entire western side of his parcel.		
3. Name of lienholder, approximate amount of each lien, including FSA in the order of lien priority prior to proposed transaction:		
A. Name of Lien Holder	B. Approximate Amount of Lien	C. Lien Priority
USDA, Farm Service Agency	\$185,000	1st
4. The use to be made of the property covered by this application: Development of an access road by Big Land Corporation, which will provide access to new properties that are being developed behind the borrower's parcel.		
5. The anticipated proceeds or benefits from this transaction are: \$15,000		
6. Borrower proposes to use the proceeds as follows: Applied towards FSA loan #41-02 as an extra payment.		

Examples of How to Complete FSA-2061 (Continued)

C Example 3 - Consent to Right-of-Way Easement on FSA Real Estate Security (Continued)

FSA-2061 (09-25-24)		Page 2 of 5	
7. Complete Application for Release or Consent		YES	NO
A. Copy of proposed contract or agreement		<input checked="" type="checkbox"/>	<input type="checkbox"/>
B. Copy of environmental assessment for proposed release or consent, if available ( <i>This will not replace FSA's environmental assessment, but may be helpful as documentation</i> )		<input checked="" type="checkbox"/>	<input type="checkbox"/>
C. Copy of survey, if needed, with legal description for partial release or consent		<input checked="" type="checkbox"/>	<input type="checkbox"/>
D. Documentation required for operational review:			
(1) Actual financial performance for the past year ( <i>a copy of your last year's tax return or last year's income and expense records are acceptable</i> )		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(2) Current balance sheet		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(3) Projected income/expense for next year ( <i>a copy of your current year's is also acceptable</i> )		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(4) Annual crop and livestock production yields		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(5) Review and update, if needed, of assessment ( <i>copy attached</i> ). Please pencil in comments or changes		<input checked="" type="checkbox"/>	<input type="checkbox"/>
E. FSA will obtain an appraisal		<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>PART B - BORROWER REQUEST – PERSONAL PROPERTY SECURITY – ONLY FOR RELEASE WITHOUT COMPENSATION</b>			
1. The undersigned (a) _____  "Borrower") in accordance with the terms of the personal property security instruments now held by the United States, acting through U.S. Department of Agriculture, Farm Service Agency ( <i>called "Government"</i> ) on the property, applies for:  (b) release,  _____  _____			
2. Description of Property from the current FSA-2028 (Security Agreement):  _____			
3. Name of lienholder, approximate amount of each lien, including FSA in the order of lien priority prior to proposed transaction:			
A. Name of Lien Holder		B. Approximate Amount of Lien	C. Lien Priority
4. Complete Application for Release or Consent		YES	NO
A. Documentation required for operational review:			
(1) Actual financial performance for the past year ( <i>a copy of your last year's tax return or last year's income and expense records are acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(2) Current balance sheet		<input type="checkbox"/>	<input type="checkbox"/>
(3) Projected income/expense for next year ( <i>a copy of your current year's is also acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(4) Annual crop and livestock production yields		<input type="checkbox"/>	<input type="checkbox"/>
(5) Review and update, if needed, of assessment ( <i>copy attached</i> ). Please pencil in comments or changes		<input type="checkbox"/>	<input type="checkbox"/>
B. FSA will obtain an appraisal		<input type="checkbox"/>	<input type="checkbox"/>

Examples of How to Complete FSA-2061 (Continued)

C Example 3 - Consent to Right-of-Way Easement on FSA Real Estate Security (Continued)

FSA-2061 (09-25-24)		Page 3 of 5	
PART C – CERTIFICATIONS AND SIGNATURES			
1. Have you, or any members of an entity, if applicable, ever been:		YES	NO
A. Convicted under any Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the previous 5 crop years? (See the Food Security Act of 1985, Pub. Law. 99-198)		<input type="checkbox"/>	<input checked="" type="checkbox"/>
B. Determined ineligible for Federal benefits based on a conviction for the distribution of controlled substances or any offense involving the possession of a controlled substance under 21 U.S.C. 862?		<input type="checkbox"/>	<input checked="" type="checkbox"/>
C. Determined ineligible for Federal benefits based on Federal Crop Insurance Corporation fraud? (See 7 U.S.C. 1515)		<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Explanation for any "YES" answers to Item 1:			
3. ECOA - RIGHT TO RECEIVE APPRAISAL: As part of the assistance provided by FSA, an appraisal report or written real estate valuation may be required to determine the value of the property you intend to pledge or have pledged as security. If FSA orders an appraisal or completes a written real estate valuation, you will receive a copy at no cost. You will receive a copy at least three business days prior to the closing of your loan or servicing action. On occasion, the three-day waiting period could cause a delay in closing the loan or servicing action. If you so choose, you have a right to waive this waiting period and a copy will be provided to you no later than the time of loan closing or servicing action.			
4. I understand that unless FSA executes a separate written instrument for partial release, FSA's approval of this application will merely constitute and evidence FSA's consent, as lienholder, to the proposed transaction without in any way releasing any of its security, modifying the payment terms of my loans, or otherwise affect any FSA rights. If this application is approved, I agree to comply with such terms as may be set by FSA and to dispose of the proceeds as required by FSA.  The statements and representations made above are made in connection with the request for a change in the loan security and/or the release of USDA- provided funds. The making of any false statement or misrepresentations herein may be a crime punishable under 18 U.S.C., §1001. I certify that the statements made are true, complete, and correct to the best of my knowledge and belief.			
5A. Signature of Borrower		5B. Date	
SIGNATURE of Joseph Matthew Cooper		10/10/2024	
5A. Signature of Borrower		5B. Date	
5A. Signature of Borrower		5B. Date	
5A. Signature of Borrower		5B. Date	

Examples of How to Complete FSA-2061 (Continued)

C Example 3 - Consent to Right-of-Way Easement on FSA Real Estate Security (Continued)

FSA-2061 (09-25-24)		Page 4 of 5	
<b>PART D - FSA APPROVAL (For FSA Use Only)</b>			
1. Recommendation for approval/denial of the request and comments:		Borrower:	Joseph Matthew Cooper
<p>Recommend for Approval as the request meets all of the applicable conditions under 4-FLP subparagraph 196B, 197A(1), and 198A(2).</p> <p>A satisfactory FSA environmental review has been completed for the proposed access road, which included a review of the required ingress, egress, and staging areas.</p> <p>The requested easement will not affect the farm's repayment ability or ability to operate. The request will pay down the borrower's FSA debt, which will improve his overall financial position and chances of obtaining commercial credit in the future.</p> <p>Although this transaction does not involve a "disposition" or transfer of ownership, the requested easement would remain in effect indefinitely. As a result, 4-FLP subparagraph 198A(2) applies, but an appraisal was not required as the value of real estate involved is less than \$50,000. An estimated value was utilized, which has been documented within the file.</p>			
2A. Initial Payment		2B. Subsequent Payment	
(1) to prior liens		(1) % to prior liens	or
(2) to extra payment on FSA loan	\$15,000	(2) % to extra payment of FSA loan	or
(3) to regular payment on FSA loan		(3) % to regular payment of FSA loan	or
(4) other (specify):		(4) other (specify):	or
(5) to borrower		(5) % to borrower	or
3. I hereby:			
A. Recommend this application for approval <input checked="" type="checkbox"/>		B. Do NOT recommend this application be approved <input type="checkbox"/>	
C. Recommending Official Name John C. Green		D. Recommending Official Title Farm Loan Officer	
E. Signature SIGNATURE of John C. Green		F. Date 10/11/24	
4. I hereby:			
A. Approve this application <input checked="" type="checkbox"/>		B. Do NOT approve this application <input type="checkbox"/>	
C. Reason for denial of the request			
D. Approving Official Name Audrey S. Ashburn		E. Approving Official Title Farm Loan Manager	
F. Signature SIGNATURE of Audrey S. Ashburn		G. Date 10/12/24	



Examples of How to Complete FSA-2061 (Continued)

D Example 4 - Consent to a Subordination for Non-Lending Purposes

Ms. Elizabeth S. Peppers has been approached by a wind energy company, Sustainable & Breezy Corporation, who would like to place a wind turbine on her farm. The wind energy company would like to enter a 20-year lease with Ms. Peppers, which will allow for the building and operation of the wind turbine. The lease also notates that Ms. Peppers will receive annual royalty payments of \$6,000 as compensation throughout the term of the lease. The wind energy company is also requiring that Ms. Peppers and FSA execute an SNDA agreement.

FSA-2061 (09-25-24)	U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency	Position 5
<b>APPLICATION FOR RELEASE OR CONSENT</b>		
<i>INSTRUCTIONS: Return this completed form to your County FSA Office.</i>		
<b>PART A - BORROWER REQUEST – REAL ESTATE SECURITY</b>		
Note: If the transaction will result in all FSA debt being paid in full, Part A Items 1 through 5 are required.		
1. The undersigned (a) <u>Elizabeth Sweet Peppers</u>		
("Borrower") in accordance with the terms of the real estate security instruments now held by the United States, acting through U.S. Department of Agriculture, Farm Service Agency (called "Government") on the property, applies for:		
(b) release,		
_____ _____		
(c) Subordination, Non-Disturbance and Attornment Agreement (SNDA) Between Sustainable & Breezy Corporation, Ms. Elizabeth Sweet Peppers, and FSA		
(d) consent to, 20-year Wind Turbine Lease with Sustainable & Breezy Corporation		
_____ _____		
2. Description of Property:		
1.5 acre portion of Tax Parcel Number 331556668.		
3. Name of lienholder, approximate amount of each lien, including FSA in the order of lien priority prior to proposed transaction:		
A. Name of Lien Holder	B. Approximate Amount of Lien	C. Lien Priority
USDA, Farm Service Agency	\$300,000	1st
4. The use to be made of the property covered by this application:		
Development of a wind turbine by a third party energy company - Sustainable & Breezy Corporation.		
5. The anticipated proceeds or benefits from this transaction are:		
\$6,000 annual royalty.		
6. Borrower proposes to use the proceeds as follows:		
Applied towards FSA loan #41-01 as a regular payment.		

Examples of How to Complete FSA-2061 (Continued)

D Example 4 - Consent to a Subordination for Non-Lending Purposes (Continued)

FSA-2061 (09-25-24)		Page 2 of 5	
7. Complete Application for Release or Consent		YES	NO
A. Copy of proposed contract or agreement		<input checked="" type="checkbox"/>	<input type="checkbox"/>
B. Copy of environmental assessment for proposed release or consent, if available ( <i>This will not replace FSA's environmental assessment, but may be helpful as documentation</i> )		<input checked="" type="checkbox"/>	<input type="checkbox"/>
C. Copy of survey, if needed, with legal description for partial release or consent		<input checked="" type="checkbox"/>	<input type="checkbox"/>
D. Documentation required for operational review:			
(1) Actual financial performance for the past year ( <i>a copy of your last year's tax return or last year's income and expense records are acceptable</i> )		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(2) Current balance sheet		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(3) Projected income/expense for next year ( <i>a copy of your current year's is also acceptable</i> )		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(4) Annual crop and livestock production yields		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(5) Review and update, if needed, of assessment ( <i>copy attached</i> ). Please pencil in comments or changes		<input checked="" type="checkbox"/>	<input type="checkbox"/>
E. FSA will obtain an appraisal		<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>PART B - BORROWER REQUEST – PERSONAL PROPERTY SECURITY – ONLY FOR RELEASE WITHOUT COMPENSATION</b>			
1. The undersigned (a) _____ _____			
"Borrower") in accordance with the terms of the personal property security instruments now held by the United States, acting through U.S. Department of Agriculture, Farm Service Agency ( <i>called "Government"</i> ) on the property, applies for:			
(b) release, _____ _____			
2. Description of Property from the current FSA-2028 (Security Agreement):			
3. Name of lienholder, approximate amount of each lien, including FSA in the order of lien priority prior to proposed transaction:			
A. Name of Lien Holder	B. Approximate Amount of Lien	C. Lien Priority	
4. Complete Application for Release or Consent		YES	NO
A. Documentation required for operational review:			
(1) Actual financial performance for the past year ( <i>a copy of your last year's tax return or last year's income and expense records are acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(2) Current balance sheet		<input type="checkbox"/>	<input type="checkbox"/>
(3) Projected income/expense for next year ( <i>a copy of your current year's is also acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(4) Annual crop and livestock production yields		<input type="checkbox"/>	<input type="checkbox"/>
(5) Review and update, if needed, of assessment ( <i>copy attached</i> ). Please pencil in comments or changes		<input type="checkbox"/>	<input type="checkbox"/>
B. FSA will obtain an appraisal		<input type="checkbox"/>	<input type="checkbox"/>

Examples of How to Complete FSA-2061 (Continued)

D Example 4 - Consent to a Subordination for Non-Lending Purposes (Continued)

FSA-2061 (09-25-24)		Page 3 of 5	
PART C – CERTIFICATIONS AND SIGNATURES			
1. Have you, or any members of an entity, if applicable, ever been:		YES	NO
A. Convicted under any Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the previous 5 crop years? (See the Food Security Act of 1985, Pub. Law. 99-198)		<input type="checkbox"/>	<input checked="" type="checkbox"/>
B. Determined ineligible for Federal benefits based on a conviction for the distribution of controlled substances or any offense involving the possession of a controlled substance under 21 U.S.C. 862?		<input type="checkbox"/>	<input checked="" type="checkbox"/>
C. Determined ineligible for Federal benefits based on Federal Crop Insurance Corporation fraud? (See 7 U.S.C. 1515)		<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Explanation for any "YES" answers to Item 1:			
3. ECOA - RIGHT TO RECEIVE APPRAISAL: As part of the assistance provided by FSA, an appraisal report or written real estate valuation may be required to determine the value of the property you intend to pledge or have pledged as security. If FSA orders an appraisal or completes a written real estate valuation, you will receive a copy at no cost. You will receive a copy at least three business days prior to the closing of your loan or servicing action. On occasion, the three-day waiting period could cause a delay in closing the loan or servicing action. If you so choose, you have a right to waive this waiting period and a copy will be provided to you no later than the time of loan closing or servicing action.			
4. I understand that unless FSA executes a separate written instrument for partial release, FSA's approval of this application will merely constitute and evidence FSA's consent, as lienholder, to the proposed transaction without in any way releasing any of its security, modifying the payment terms of my loans, or otherwise affect any FSA rights. If this application is approved, I agree to comply with such terms as may be set by FSA and to dispose of the proceeds as required by FSA.  The statements and representations made above are made in connection with the request for a change in the loan security and/or the release of USDA- provided funds. The making of any false statement or misrepresentations herein may be a crime punishable under 18 U.S.C., §1001. I certify that the statements made are true, complete, and correct to the best of my knowledge and belief.			
5A. Signature of Borrower		5B. Date	
SIGNATURE of Elizabeth Sweet Peppers		10/10/2024	
5A. Signature of Borrower		5B. Date	
5A. Signature of Borrower		5B. Date	
5A. Signature of Borrower		5B. Date	

Examples of How to Complete FSA-2061 (Continued)

D Example 4 - Consent to a Subordination for Non-Lending Purposes (Continued)

FSA-2061 (09-25-24)		Page 4 of 5	
<b>PART D - FSA APPROVAL (For FSA Use Only)</b>			
1. Recommendation for approval/denial of the request and comments:		Borrower:	Elizabeth Sweet Peppers
<p>Recommend for Approval as the request meets all of the applicable conditions under 4-FLP subparagraphs 99E, 196B and 197A(1).</p> <p>A satisfactory FSA environmental review has been completed for the proposed wind turbine, which included a review of the required ingress, egress, and staging areas.</p> <p>Our local OGC was also consulted and confirmed that all documents involved in the transaction meet legal sufficiency.</p> <p>Appraisal requirements of 4-FLP subparagraph 198A do not apply as the request does not involve disposition or transfer of ownership and the request is limited to the term of the lease.</p>			
2A. Initial Payment		2B. Subsequent Payment	
(1) to prior liens		(1) % to prior liens	or
(2) to extra payment on FSA loan		(2) % to extra payment of FSA loan	or
(3) to regular payment on FSA loan	\$6,000	(3) % to regular payment of FSA loan	\$6,000 or
(4) other (specify):		(4) other (specify):	or
(5) to borrower		(5) % to borrower	or
3. I hereby:			
A. Recommend this application for approval <input checked="" type="checkbox"/>		B. Do NOT recommend this application be approved <input type="checkbox"/>	
C. Recommending Official Name John C. Green		D. Recommending Official Title Farm Loan Officer	
E. Signature SIGNATURE of John C. Green		F. Date 10/11/24	
4. I hereby:			
A. Approve this application <input checked="" type="checkbox"/>		B. Do NOT approve this application <input type="checkbox"/>	
C. Reason for denial of the request			
D. Approving Official Name Audrey S. Ashburn		E. Approving Official Title Farm Loan Manager	
F. Signature SIGNATURE of Audrey S. Ashburn		G. Date 10/12/24	

**Examples of How to Complete FSA-2061 (Continued)**

**E Example 5 - Release of Personal Property Security Without Compensation**

Mr. Dwight P. Wilson purchased his farmland over three years ago via a Direct Farm Ownership loan. FSA obtained a lien on the farmland and also took a lien on his 2019 John Deere tractor to meet the previous additional security requirements of 150 percent. Mr. Wilson’s security margin is currently at 125 percent with the farmland alone. Mr. Wilson is requesting a release of the tractor, as he would like to sell this piece of equipment and keep the proceeds.

<b>FSA-2061</b> (09-25-24)	U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency	Position 5
<b>APPLICATION FOR RELEASE OR CONSENT</b>		
<i>INSTRUCTIONS: Return this completed form to your County FSA Office.</i>		
<b>PART A - BORROWER REQUEST – REAL ESTATE SECURITY</b>		
Note: If the transaction will result in all FSA debt being paid in full, Part A Items 1 through 5 are required.		
1. The undersigned (a) _____  ("Borrower") in accordance with the terms of the real estate security instruments now held by the United States, acting through U.S. Department of Agriculture, Farm Service Agency (called "Government") on the property, applies for:  (b) release, _____ _____  (c) Subordination, Non-Disturbance and Attornment Agreement (SNDA) _____  (d) consent to, _____ _____		
2. Description of Property:		
3. Name of lienholder, approximate amount of each lien, including FSA in the order of lien priority prior to proposed transaction:		
A. Name of Lien Holder	B. Approximate Amount of Lien	C. Lien Priority
4. The use to be made of the property covered by this application:		
5. The anticipated proceeds or benefits from this transaction are:		
6. Borrower proposes to use the proceeds as follows:		

Examples of How to Complete FSA-2061 (Continued)

E Example 5 - Release of Personal Property Security Without Compensation (Continued)

FSA-2061 (09-25-24)		Page 2 of 5	
7. Complete Application for Release or Consent		YES	NO
A. Copy of proposed contract or agreement		<input type="checkbox"/>	<input type="checkbox"/>
B. Copy of environmental assessment for proposed release or consent, if available ( <i>This will not replace FSA's environmental assessment, but may be helpful as documentation</i> )		<input type="checkbox"/>	<input type="checkbox"/>
C. Copy of survey, if needed, with legal description for partial release or consent		<input type="checkbox"/>	<input type="checkbox"/>
D. Documentation required for operational review:			
(1) Actual financial performance for the past year ( <i>a copy of your last year's tax return or last year's income and expense records are acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(2) Current balance sheet		<input type="checkbox"/>	<input type="checkbox"/>
(3) Projected income/expense for next year ( <i>a copy of your current year's is also acceptable</i> )		<input type="checkbox"/>	<input type="checkbox"/>
(4) Annual crop and livestock production yields		<input type="checkbox"/>	<input type="checkbox"/>
(5) Review and update, if needed, of assessment ( <i>copy attached</i> ). Please pencil in comments or changes		<input type="checkbox"/>	<input type="checkbox"/>
E. FSA will obtain an appraisal		<input type="checkbox"/>	<input type="checkbox"/>
<b>PART B - BORROWER REQUEST – PERSONAL PROPERTY SECURITY – ONLY FOR RELEASE WITHOUT COMPENSATION</b>			
1. The undersigned (a) <u>Dwight Peachy Wilson</u>			
<p>"Borrower") in accordance with the terms of the personal property security instruments now held by the United States, acting through U.S. Department of Agriculture, Farm Service Agency (<i>called "Government"</i>) on the property, applies for:</p> <p>(b) release,</p> <p><u>2019 John Deere Tractor, which serves as additional security</u></p>			
2. Description of Property from the current FSA-2028 (Security Agreement):			
<u>2019 John Deere Tractor, Model #6120M, Serial #: 881234</u>			
3. Name of lienholder, approximate amount of each lien, including FSA in the order of lien priority prior to proposed transaction:			
A. Name of Lien Holder	B. Approximate Amount of Lien	C. Lien Priority	
USDA, Farm Service Agency	\$200,000	1st	
4. Complete Application for Release or Consent		YES	NO
A. Documentation required for operational review:			
(1) Actual financial performance for the past year ( <i>a copy of your last year's tax return or last year's income and expense records are acceptable</i> )		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(2) Current balance sheet		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(3) Projected income/expense for next year ( <i>a copy of your current year's is also acceptable</i> )		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(4) Annual crop and livestock production yields		<input checked="" type="checkbox"/>	<input type="checkbox"/>
(5) Review and update, if needed, of assessment ( <i>copy attached</i> ). Please pencil in comments or changes		<input checked="" type="checkbox"/>	<input type="checkbox"/>
B. FSA will obtain an appraisal		<input type="checkbox"/>	<input checked="" type="checkbox"/>

Examples of How to Complete FSA-2061 (Continued)

E Example 5 - Release of Personal Property Security Without Compensation (Continued)

FSA-2061 (09-25-24)		Page 3 of 5	
PART C – CERTIFICATIONS AND SIGNATURES			
1. Have you, or any members of an entity, if applicable, ever been:		YES	NO
A. Convicted under any Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the previous 5 crop years? (See the Food Security Act of 1985, Pub. Law. 99-198)		<input type="checkbox"/>	<input checked="" type="checkbox"/>
B. Determined ineligible for Federal benefits based on a conviction for the distribution of controlled substances or any offense involving the possession of a controlled substance under 21 U.S.C. 862?		<input type="checkbox"/>	<input checked="" type="checkbox"/>
C. Determined ineligible for Federal benefits based on Federal Crop Insurance Corporation fraud? (See 7 U.S.C. 1515)		<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Explanation for any "YES" answers to Item 1:			
3. ECOA - RIGHT TO RECEIVE APPRAISAL: As part of the assistance provided by FSA, an appraisal report or written real estate valuation may be required to determine the value of the property you intend to pledge or have pledged as security. If FSA orders an appraisal or completes a written real estate valuation, you will receive a copy at no cost. You will receive a copy at least three business days prior to the closing of your loan or servicing action. On occasion, the three-day waiting period could cause a delay in closing the loan or servicing action. If you so choose, you have a right to waive this waiting period and a copy will be provided to you no later than the time of loan closing or servicing action.			
4. I understand that unless FSA executes a separate written instrument for partial release, FSA's approval of this application will merely constitute and evidence FSA's consent, as lienholder, to the proposed transaction without in any way releasing any of its security, modifying the payment terms of my loans, or otherwise affect any FSA rights. If this application is approved, I agree to comply with such terms as may be set by FSA and to dispose of the proceeds as required by FSA.  The statements and representations made above are made in connection with the request for a change in the loan security and/or the release of USDA- provided funds. The making of any false statement or misrepresentations herein may be a crime punishable under 18 U.S.C., §1001. I certify that the statements made are true, complete, and correct to the best of my knowledge and belief.			
5A. Signature of Borrower		5B. Date	
SIGNATURE of Dwight Peachy Wilson		10/10/2024	
5A. Signature of Borrower		5B. Date	
5A. Signature of Borrower		5B. Date	
5A. Signature of Borrower		5B. Date	

Examples of How to Complete FSA-2061 (Continued)

E Example 5 - Release of Personal Property Security Without Compensation (Continued)

FSA-2061 (09-25-24)		Page 4 of 5	
PART D - FSA APPROVAL (For FSA Use Only)			
1. Recommendation for approval/denial of the request and comments:		Borrower:	Dwight Peachy Wilson
<p>Recommend for Approval as the request meets all of the applicable conditions under 4-FLP subparagraph 146 D.</p> <p>Appraisals were not obtained for both the tractor and farmland. Per 4-FLP subparagraph 146 D (3), an evaluation of recent sales of similar properties was completed for both the tractor and farmland. The evaluation has been sufficiently documented within the file.</p>			
2A. Initial Payment		2B. Subsequent Payment	
(1) to prior liens		(1) % to prior liens	or
(2) to extra payment on FSA loan		(2) % to extra payment of FSA loan	or
(3) to regular payment on FSA loan		(3) % to regular payment of FSA loan	or
(4) other (specify):		(4) other (specify):	or
(5) to borrower		(5) % to borrower	or
3. I hereby:			
A. Recommend this application for approval <input checked="" type="checkbox"/>		B. Do NOT recommend this application be approved <input type="checkbox"/>	
C. Recommending Official Name John C. Green		D. Recommending Official Title Farm Loan Officer	
E. Signature SIGNATURE of John C. Green		F. Date 10/11/24	
4. I hereby:			
A. Approve this application <input checked="" type="checkbox"/>		B. Do NOT approve this application <input type="checkbox"/>	
C. Reason for denial of the request			
D. Approving Official Name Audrey S. Ashburn		E. Approving Official Title Farm Loan Manager	
F. Signature SIGNATURE of Audrey S. Ashburn		G. Date 10/12/24	