

FSA-2040
(proposal 1)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

Position 1

AGREEMENT AND RECORD OF THE DISPOSITION OF FSA SECURITY/RELEASE OF PROCEEDS

PART A - GENERAL

1. Name	2. Date of Security Agreement	3. Beginning Date of this Agreement
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PART B - NORMAL INCOME SECURITY

1. Expected Source of FSA Payment and Planned Releases

A. Security Property	B. Amount \$	C. Lien/Release Priority

2. Actual Disposition			3. Use of Proceeds								
A. Description of Property	B. How	C. Amount \$	A. FSA Payment	B. Operating Expenses	C. Owner Withdrawals	D. Other Creditor or Subordination	E. Other	F. Approved		G. Initials	H. Date
								Y	N		

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PART C - BASIC SECURITY

1. Disposition					2. Use of Proceeds						
A. Security Agreement Line	B. Description	C. How	D. Date	E. Amount \$	A. Amount of Extra Payment	B. Description and Purchase Price of Replacement	C. Converted to Normal Income Security	D. Approved		E. Initials	F. Date
								Y	N		

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a): the Farm Service Agency (FSA) is authorized by the Consolidated Farm and Rural Development Act, (7 USC 1921 et seq), and the regulations promulgated thereunder, to solicit the information requested on this form. The information requested is necessary for FSA to determine eligibility for financial assistance, service your loan, and conduct statistical analyses. Supplied information maybe furnished to other Department of Agriculture agencies, the Department of the Treasury, the Department of Justice or other law enforcement agencies, the Department of Defense, the Department of Housing and Urban Development, the Department of Labor, the United States Postal Service, or other Federal, State, or local agencies as required or permitted by law. In addition, information may be referred to interested parties under the Freedom of Information Act (FOIA), to financial consultants, advisors, lending institutions, packagers, agents, and private or commercial credit sources, to collection or servicing contractors, to credit reporting agencies, to private attorneys under contract with FSA or the Department of Justice, to business firms in the trade area that buy chattel or crops or sell them for commission, to Members of Congress or Congressional staff members, or to courts or adjudicative bodies. Disclosure of the information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Tax Identification Number, may result in a delay in the processing of this form or its rejection.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-765. The time required to complete this information collection is estimated to average 20 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR LOCAL FSA OFFICE.

PART D - AGREEMENT

1. Acknowledgement of Lien

In exchange for the loans I received from the United States Department of Agriculture, Farm Service Agency (FSA), I signed Security Agreements with the United States of America. By signing the Security Agreements, I have given FSA a security interest in all the property described in the Security Agreements. This property is called collateral which is categorized as either:

Basic security which is all farm machinery, equipment, vehicles, foundation and breeding livestock herds and flocks, including replacements, and real estate that serves as security for the loans; or

Normal income security which is all security not considered basic security, including crops, livestock, poultry products, other property covered by FSA liens that is sold in conjunction with the operation of my operation, and FSA Farm Program payments.

I agree that I will dispose of collateral for its fair market value.

I understand that the money from the sale of collateral must always be used to pay anyone who has a security interest that comes before FSA's security interest. Both FSA and my name as payee must be listed on all checks, drafts, or money orders which I receive for the sale of collateral unless all installments due, including any past due installments, have been paid. Checks made in accordance with an assignment agreement do not have to include both names.

2. Normal Income Security Proceeds

This Agreement identifies proceeds from normal income security that will be used to make my payments to FSA. FSA will release proceeds from the sale of normal income security not used to make FSA payments. FSA will release proceeds from the sale of normal income security to pay essential family living and farm operating expenses.

3. Modifying this Agreement

If I want to change the manner which I intend to make my FSA installments, I must contact FSA to modify this Agreement. I may request and report changes by telephone, letter, or visit to the FSA office. A trip to the FSA office is not always necessary. I understand that when an agreement is reached on a requested change or when I report changes, FSA must revise the form, initial and date the change, and mark the form "revised." I will also initial the change. My initials may be obtained by either (1) mailing a copy to me, or (2) asking me to initial the revised form during my next visit to the FSA office.

If my requested or reported changes would result in a major change in my operation, FSA may request that I attend a conference. At that conference, FSA and I will develop a new farm operating plan and revise this Agreement.

4. List of Potential Purchasers of My Farm Products

This is a list of purchasers who often buy farm products from me. I have included grain elevators, auction barns, and others who I expect might buy from me.

A. Farm Product	B. Potential Purchaser	C. Purchaser's Address

FSA realizes that I do not always know in advance who will buy my products. If I cannot identify specific potential purchasers, I have described below how the farm products will be sold, for example, at a roadside stand, by advertising in the newspaper, or to neighbors.

D. Farm Product	E. Method of Sale

5. Release FSA's Security Interest

FSA consents to all sales, exchanges, and other dispositions of collateral, so long as I meet the terms of this Agreement. FSA agrees to release its security interest in the collateral as agreed in loan and security instruments.

6. Failure to Reach Agreement

If FSA and I disagree on how to complete or make changes on this Agreement, FSA must send me a letter which describes the items on which we do not agree. The letter must explain why we do not agree. The letter must also tell me how I may appeal FSA's decision. Until the appeal is decided, FSA must release any other proceeds on which we have agreed.

When my appeal is decided, FSA will ask me to sign a new farm operating plan and a new Agreement, to reflect the decision on the appeal. If I do not sign the new agreement, FSA will give me a copy of the new Agreement and tell me that FSA considers the new Agreement to be binding. If I violate this Agreement, FSA will take the actions described below.

I understand that if I do not appeal or if I refuse to cooperate in completing this Agreement, FSA will complete the Agreement, sign it, and send it to me. FSA must send a letter with the completed form explaining that FSA will consider the form to be binding on me. I understand that if I violate the new agreement, FSA will take the actions described below.

7. Consequences of Violating This Agreement

If I sell, exchange, or dispose of collateral without FSA's approval, I will have violated this Agreement and FSA's security interest in the collateral will not be released. FSA will ask me to pay an amount equal to the value I received for the collateral involved. I understand that if I pay as FSA requests or provide enough information to allow FSA to approve the sale and use of proceeds, this will cure my violation if it is a first offense. I understand that if I do not so cure a first offense, or if I commit a second offense whether I cure it or not, I will be in non-monetary default, which FSA will consider when making eligibility determinations for any future requests for assistance. Such offenses may adversely impact my future requests for FSA assistance. I realize that FSA may start legal procedures to sell all of my other collateral and refer my case for possible criminal action against me. I understand that if I do not pay as requested, FSA may also request that the purchaser of the collateral pay.

8. FSA Actions If My Loan Accounts are Accelerated

If I receive an Acceleration Notice from FSA, this Agreement automatically ends and FSA will no longer release any proceeds from the disposition of collateral.

9. Acknowledgment

This signature is to acknowledge that I understand this Agreement and will keep to it.

A. Borrower's Signature	B. Date
10. Agency Official Name	11. Title
12. Agency Official Signature	13. Date