

Request for Nonsubstantive Change

ICR 0560-0236

August 5, 2026

FSA conducted a review of form FSA-2040 "AGREEMENT FOR USE OF PROCEEDS AND SECURITY" and requests approval for nonsubstantive changes.

The changes simplify the form by removing outdated language that no longer aligns with Agency policy. The changes do not affect loan processing time or burden.

FORM: FSA-2040 (AGREEMENT FOR USE OF PROCEEDS AND SECURITY) (7 changes)

Change 1: First paragraph of Page 1.

Remove the third sentence: "On (a) _____, I signed a Farm Business Plan (FBP) or FSA-2301 'Request for Youth Loan' covering the (b) _____ production cycle(s). I worked with FSA to project the planned income and expenses of my farming operation in the FBP."

Change the fourth sentence to state: "I am in agreement to make the following FSA scheduled payments from the following sources."

CURRENT

This Agreement is between the Farm Service Agency (FSA) and the undersigned.

I understand that in addition to this Agreement, FSA must comply with its governing statutes and regulations.

On (a) _____, I signed a Farm Business Plan (FBP) or FSA-2301 "Request for Youth Loan" covering the (b) _____ production cycle(s). I worked together with FSA to project the planned income and expenses of my farming operation in the FBP. I am in agreement that the plan accurately reflects the planned income and expenses of my operation including the projection of (c) \$ _____ for owner's withdrawal/family living expenses and my plan to make the following FSA scheduled payments from the following sources.

CHANGE

This Agreement is between the Farm Service Agency (FSA) and the undersigned.

I understand that in addition to this Agreement, FSA must comply with its governing statutes and regulations.

I am in agreement to make the following FSA scheduled payments from the following sources.

Change 2: Part 1 of Page 2.

Update the fifth paragraph to read: "I understand that the proceeds from the sale of normal income security must always be used to pay expenses and loan payments."

CURRENT

1. Acknowledgement of Lien

In exchange for loans I received from FSA, I signed a Security Agreement(s) with the United States of America. By signing the Security Agreement(s), I have given FSA a security interest in all the property described in the Security Agreement(s), in addition to any after acquired property. This property is called collateral. Collateral 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 but not limited to crops, livestock poultry products, other property covered by FSA liens that is sold in conjunction with the running of my operation, and FSA Farm Program payments.

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

I understand that the proceeds from the sale of normal income security must always be used to pay expenses and loan payments as agreed to in the FBP.

For basic security, both FSA and my name as payee must always be listed on all checks, drafts, or money orders which I receive.

For normal income security, both FSA and my name as payee must be listed on all checks, drafts, or money orders which I receive unless all installments due, including any past due installments, in the above table have been paid or unless I have a current assignment in place to pay FSA annual installments in full. Checks made in accordance with an assignment do not have to include both names.

CHANGE

1. Acknowledgement of Lien

In exchange for loans I received from FSA, I signed a Security Agreement(s) with the United States of America. By signing the Security Agreement(s), I have given FSA a security interest in all the property described in the Security Agreement(s), in addition to any after acquired property. This property is called collateral. Collateral 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 but not limited to crops, livestock poultry products, other property covered by FSA liens that is sold in conjunction with the running of my operation, and FSA Farm Program payments.

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

I understand that the proceeds from the sale of normal income security must always be used to pay expenses and loan payments.

For basic security, both FSA and my name as payee must always be listed on all checks, drafts, or money orders which I receive.

For normal income security, both FSA and my name as payee must be listed on all checks, drafts, or money orders which I receive unless all installments due, including any past due installments, in the above table have been paid or unless I have a current assignment in place to pay FSA annual installments in full. Checks made in accordance with an assignment do not have to include both names.

Change 3: Part 2 of Page 2.

Update language of first paragraph to read: "Yes. By signing this agreement, FSA and I have agreed on the source of income to pay FLP installments."

Remove the second paragraph which states: "If the actual income and/or expenses are not in accordance with what we originally projected, FSA and I must discuss the changes and make any needed changes to the FBP and/or this agreement."

Update language of the third paragraph to read: "I may request and report changes to the source of income to pay FLP installments by telephone, letter, or visit to the FSA office. A trip to the office is not always necessary. However, if my requested or reported changes would result in a major change in my operation, FSA may request that I attend a conference."

CURRENT

2. Do I Have Written Consent To Sell?

Yes. By signing the FBP and this agreement, FSA and I have agreed on the projected income and expenses of the operation, and the source of income to pay FLP installments. If actual income and expenses are in accordance with what we projected, I may sell commodities and use the proceeds to pay planned expenses and payments as identified in the FBP.

If the actual income and/or expenses are not in accordance with what we originally projected, FSA and I must discuss the changes and make any needed changes to the FBP and/or this agreement.

I may request and report these changes to the FBP by telephone, letter, or visit to the FSA office. A trip to the office is not always necessary. However, 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 FBP.

CHANGE

2. Do I Have Written Consent To Sell?

Yes. By signing this agreement, FSA and I have agreed on the source of income to pay FLP installments.

I may request and report changes to the source of income to pay FLP installments by telephone, letter, or visit to the FSA office. A trip to the office is not always necessary. However, if my requested or reported changes would result in a major change in my operation, FSA may request that I attend a conference.

Change 4: Part 3 of Page 2.

Update language of first paragraph to read: "If FSA and I disagree on how to complete or make changes to 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."

Update language of third paragraph to read: "When my appeal is decided, FSA may ask me to sign a revised Agreement reflecting the decision on the appeal."

Update language of fourth paragraph to read: "If I do not sign, FSA will give me a copy of the revised agreement. FSA will consider the revised Agreement to be binding. If I violate this Agreement, FSA will take the actions described below in the Item 9, entitled, "What Happens if I Violate This Agreement?"

CURRENT

3. What if FSA and I Do Not Agree?

If FSA and I disagree on how to complete or make changes on the FBP or 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 FSA and I have agreed.

When my appeal is decided, FSA may ask me to sign a revised FBP and/or a revised Agreement reflecting the decision on the appeal.

If I do not sign, FSA will give me a copy of the farm operating plan and the revised agreement. FSA will consider the revised Agreement to be binding. If I violate this Agreement, FSA will take the actions described below in the Item 9, entitled, "What Happens if I Violate This Agreement?"

CHANGE

3. What if FSA and I Do Not Agree?

If FSA and I disagree on how to complete or make changes to 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 FSA and I have agreed.

When my appeal is decided, FSA may ask me to sign a revised Agreement reflecting the decision on the appeal.

If I do not sign, FSA will give me a copy of the revised agreement. FSA will consider the revised Agreement to be binding. If I violate this Agreement, FSA will take the actions described below in the Item 9, entitled, "What Happens if I Violate This Agreement?"

Change 5: Part 4 of Page 3.

Update language of first paragraph to read: "I understand that I must keep a record of collateral disposed of, and the proceeds thereof, in an approved record keeping system. I understand that if I sell normal income security, the proceeds will be applied to my FLP installments according to the table on page 1 or released to pay normal expenses and liens."

Update language of item #2 in second paragraph replace "chattel" with "personal" to read: "Use the proceeds to purchase personal property suited to the needs of my operation provided FSA acquires a lien on the new property at least equal in value to the lien on the security sold."

CURRENT

4. What Collateral Disposed Of and How May Proceeds Be Used?

I have listed in the FBP the normal income and/or basic security I expect to sell, exchange, consume, or otherwise dispose of. I understand that FSA does not expect me to list each animal, bushel, bale or pound of security I plan to dispose of, but that I must keep a record of collateral disposed of, and the proceeds thereof, in an approved record keeping system. I understand that if I sell normal income security, the proceeds will be applied to my FLP installments according to the table on page 1 or released to pay normal expenses and liens as outlined in the FBP.

If I sell Basic security I understand I must do one or a combination of the following with the proceeds:

- 1) Apply the proceeds, including any amount in excess of the market value, to lien holder debts in the order of lien priority. I understand proceeds received by FSA will be applied as an extra payment on my FLP loans. This payment will be applied on the end of my loan and I will be required to make my regularly scheduled payment.
- 2) Use the proceeds to purchase chattel property suited to the needs of my operation provided FSA acquires a lien on the new property at least equal in value to the lien on the security sold.
- 3) If I have replacement security, the proceeds may be used as normal security income. For example: If I sell a cull cow and have a heifer of equal production capabilities to replace the cow.

CHANGE

4. What Collateral Disposed Of and How May Proceeds Be Used?

I understand that I must keep a record of collateral disposed of, and the proceeds thereof, in an approved record keeping system. I understand that if I sell normal income security, the proceeds will be applied to my FLP installments according to the table on page 1 or released to pay normal expenses and liens.

If I sell Basic security I understand I must do one or a combination of the following with the proceeds:

- 1) Apply the proceeds, including any amount in excess of the market value, to lien holder debts in the order of lien priority. I understand proceeds received by FSA will be applied as an extra payment on my FLP loans. This payment will be applied on the end of my loan and I will be required to make my regularly scheduled payment.
- 2) Use the proceeds to purchase personal property suited to the needs of my operation provided FSA acquires a lien on the new property at least equal in value to the lien on the security sold.
- 3) If I have replacement security, the proceeds may be used as normal security income. For example: If I sell a cull cow and have a heifer of equal production capabilities to replace the cow.

Change 6: Part 5 of Page 3.

Remove third sentence from the first paragraph so it reads: "FSA agrees to allow me to sell or exchange normal income security, such as crops, livestock, and livestock products marketed in the regular course of business so that I can pay essential family living and farm operating expenses. Essential expenses are those which are basic, crucial, or indispensable."

CURRENT

5. When Can Collateral Be Sold to Pay Essential Family Living and Farm Operating Expenses?

FSA agrees to allow me to sell or exchange normal income security, such as crops, livestock, and livestock products marketed in the regular course of business so that I can pay essential family living and farm operating expenses. Essential expenses are those which are basic, crucial, or indispensable. However, I understand that if I wish to use proceeds from sale or exchange of normal income security to pay for farm operating expenses for future operations not included in the current FBP, I must contact FSA for approval and development of a feasible FBP.

FSA also agrees to allow me to feed crops to livestock, if the livestock or livestock produce are collateral for my loan with FSA. FSA also agrees to allow me to use livestock for food for my family.

I understand releases for essential family living and farm operating expenses will be terminated if my account is accelerated.

CHANGE

5. When Can Collateral Be Sold to Pay Essential Family Living and Farm Operating Expenses?

FSA agrees to allow me to sell or exchange normal income security, such as crops, livestock, and livestock products marketed in the regular course of business so that I can pay essential family living and farm operating expenses. Essential expenses are those which are basic, crucial, or indispensable.

FSA also agrees to allow me to feed crops to livestock, if the livestock or livestock produce are collateral for my loan with FSA. FSA also agrees to allow me to use livestock for food for my family.

I understand releases for essential family living and farm operating expenses will be terminated if my account is accelerated.

Change 7: Part 9 of Page 5.

Remove reference to “FBP” in first sentence of paragraph to read: “If I sell, exchange, or dispose of collateral for less than its present market value, or use the money in a way not listed in this Agreement without your permission, I will have violated this loan Agreement and your security interest in the collateral will not be released.”

CURRENT

9. What Happens if I Violate This Agreement?

If I sell, exchange, or dispose of collateral for less than its present market value, or use the money in a way not listed in this Agreement or the FBP without your permission, I will have violated this loan Agreement and your security interest in the collateral will not be released. You will ask me to pay you an amount equal to the greater of the present market value or the amount I received for the collateral involved. I understand that if I pay as requested by you or provide enough information to allow you 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, you may bring legal action against me. I realize that you 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 FSA.

CHANGE

9. What Happens if I Violate This Agreement?

If I sell, exchange, or dispose of collateral for less than its present market value, or use the money in a way not listed in this Agreement without your permission, I will have violated this loan Agreement and your security interest in the collateral will not be released. You will ask me to pay you an amount equal to the greater of the present market value or the amount I received for the collateral involved. I understand that if I pay as requested by you or provide enough information to allow you 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, you may bring legal action against me. I realize that you 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 FSA.