

guarantees (sellers) are eligible to receive benefits. The information will be collected from applicants and prospective buyers in paper form by Agency loan approval officials. The information will be used and evaluated by the loan approval official to determine if the buyer and the sales transaction meet the criteria established by the Agency. The information may be viewed, used, and monitored by other Agency or USDA officials, and may be released in accordance with the Privacy Act or Freedom of Information Act. The information will be collected on an as needed basis. Failure to collect this information may result in persons receiving benefits other than intended program beneficiaries.

*Estimate of Burden:* Public reporting for this collection of information is estimated to average .75 hours per response.

*Respondents:* Farms, individuals, and businesses.

*Estimated number of respondents:* 480.

*Estimated number of responses per respondent:* 2.6.

*Estimated total annual burden on respondents:* 857 hours.

Comments are invited on (a) whether the collection of information is necessary for the proper performance of the functions of the Agency, including whether the information will have practical utility; (b) the accuracy of the Agency's estimate of burden; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden collection on those who are to respond, including through use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. These comments should be addressed to Kathy Zeidler, Senior Loan Officer, USDA, FSA, Farm Loan Programs Loan Making Division, STOP 0522, 1400 Independence Avenue, SW., Washington, DC 20250-0522. A comment is best assured of having its full effect if OMB receives it within 60 days of publication of this notice. Comments received after that date will be considered to the extent practicable. All comments received in response to this notice, including names and addresses, will be a matter of public record. Copies of the submission may be obtained from Kathy Zeidler by calling (202) 720-5199.

#### General Information

During FY 2003-2007 limited funds will be available for the Beginning Farmer and Rancher Land Contract Guarantee Pilot Program. The pilot

program will be implemented in the following States: Indiana, North Dakota, Oregon, Pennsylvania, Wisconsin, and Iowa. In each of fiscal years 2003 through 2007, depending on the availability of appropriations, up to five loans made by a private seller of a farm or ranch to a qualified beginning farmer or rancher on a land contract basis will be guaranteed in each of the pilot States. The intent of the pilot program is to determine if land contracts are a viable alternative for facilitating land transfers to beginning farmers and ranchers.

To the extent possible, the underwriting criteria of FSA's guaranteed loan program have been adopted. However, the structure of the loan guarantee under the pilot program is significantly different from FSA's existing guaranteed loan program, which compensates lenders for a percentage of the total loss of principal and interest suffered. Loss claim payments under the existing guaranteed program are made following liquidation of the loan and all collateral. The Beginning Farmer and Rancher Land Contract Guarantee Pilot Program will be structured to provide the seller of the land a "prompt payment" guarantee of the sale to the beginning farmer or rancher (buyer). FSA will provide a 10-year guarantee of two amortized annual installments, or an amount up to the total monetary amount of two amortized annual installments, on a land contract (e.g., if a buyer pays only part of an installment over several years, the Agency's guarantee will cover the remainder of the installments up to an amount equal to two amortized annual installments). The guarantee will also cover the amount of two years' taxes and insurance.

In the event that the buyer does not pay an annual installment due on the contract, or pays only part of an installment on the contract, the seller must take immediate action to enforce the terms of the contract and collect the defaulted amount from the buyer. At a minimum, the seller must make written demand on the buyer for payment of the defaulted amount. In the event that the buyer does not pay the defaulted amount within 30 days of the seller's written demand, the seller will make demand upon the Agency to pay the defaulted amount. The Agency will remit payment to the seller via the escrow agent and pursue collection of the defaulted installment amount from the buyer using all available means, including establishing repayment terms and administrative and Department of Treasury offset.

The guarantee will terminate if (1) the contract is paid in full; (2) the Agency

pays two annual installments, or the total monetary amount of two installments; (3) the seller fails to seek payment of a defaulted installment from the buyer or does not otherwise enforce the terms of the contract; or (4) the seller terminates the contract. If none of these events occur, the guarantee will automatically terminate 10 years from the effective date of the guarantee.

#### I. Definitions

*Agency* is the Farm Service Agency, its employees, and any successor agency.

*Annual installment* is the total amortized amount of principal and interest due to the seller on a land contract every 12 months.

*Beginning farmer or rancher* is an individual or entity who:

(a) Has not operated a farm or ranch or who has operated a farm or ranch for not more than 10 years. This requirement also applies to all entity members;

(b) will materially and substantially participate in the operation of the farm or ranch.

(c) In the case of a loan made to an individual, individually or with the immediate family, material and substantial participation requires that the individual provide substantial day-to-day labor and management of the farm or ranch, consistent with the practices in the county or State where the farm is located.

(d) In the case of a loan to an entity, all members must materially and substantially participate in the operation of the farm or ranch. Material and substantial participation requires that the members provide some amount of the management, or labor and management, necessary for day-to-day activities, such that if the members did not provide these inputs, operation of the farm or ranch would be seriously impaired;

(e) agrees to participate in any loan assessment and financial management programs required by the Agency;

(f) does not own real farm or ranch property or who, directly or through interests in family farm entities, own real farm or ranch property, the aggregate acreage of which does not exceed 30 percent of the average farm or ranch acreage of the farms or ranches in the county where the property is located. If the farm is located in more than one county, the average farm acreage of the county where the buyer's residence is located will be used in the calculation. If the buyer's residence is not located on the farm, or if the buyer is an entity, the average farm acreage of the county where the major portion of