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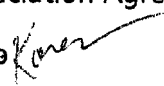
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## Memorandum

**To:** Farmers and Farm Advocates Interested in  
Shared Appreciation Agreement Issues

**From:** Karen R. Krub 

**Date:** December 15, 2000

**Subject:** Interest Rate Reduction for SAA Amortizations

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### 2001 Ag Appropriations Bill Reduces SAA Interest Rate

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act for 2001, enacted on October 28, 2000, included a provision that reduced the interest rate FSA charges on loans that it makes to producers to finance their Shared Appreciation Agreement (SAA) recapture payments. The change is in section 818 of that act, Public Law No. 106-387 and will be codified at 7 U.S.C. § 2001(e).

The statutory language requires that the interest rate on SAA loans and amortizations may not exceed FSA's Homestead Protection interest rate less one percent. As of January 1, 2001, this would mean that amortizations of SAA recapture payments would bear interest at a rate of 5.5 percent. Quite significantly, the new statutory language requires the FSA to make the new, lower interest rate apply also to any SAA loan or amortization that was in effect *before* the law was enacted.

### Preliminary FSA Notice Partially Implementing the Change

On December 12, FSA issued a policy notice partially implementing the interest rate reduction mandated by Congress. The notice, FLP-179, "Reduction of Amortized Shared Appreciation Agreement (SAA) Recapture Interest Rate," provides for an interest rate reduction for *new* SAA recapture loans. Those loans will be made with an interest rate of 1 percent below the Homestead Protection rate.

The notice does not implement the interest rate reduction for existing SAA recapture loans. Instead, the notice states that all existing SAA recapture loans must be refinanced at the lower rate effective October 28, 2000. FSA will be issuing a later notice directing local offices how to convert existing SAA recapture loans to the lower interest rate.

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A copy of the statutory language and the FSA policy notice are enclosed with this memo. Any farmers with an existing SAA amortization should contact their FSA office about the implementation of a reduced interest rate for their loan.

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Enclosures