United States Department of Agriculture
Farmers Home Administration
Washington D.C. 20250

FmHA AN No. 2714 (1951)
December 16, 1992

SUBJECT: Program Management and Servicing Goals
July 1, 1992 through June 30, 1993
Revision to Attachment B - Farmer Programs

TO: All State Directors

PURPOSE/INTENDED OUTCOME

This revises the program management and servicing goals for Farmer Programs which were issued through FmHA AN No. 2566, dated June 22, 1992.

COMPARISON WITH PREVIOUS AN

This AN modifies FmHA AN No. 2566 (1951), dated June 22, 1992.

IMPLEMENTATION RESPONSIBILITIES

The revised Attachment B is to be substituted for the same attachment in the original package. The primary changes are to Goal 2 A i and ii. Appropriate changes should be made to the goals assigned to District and County Offices by the State Office.

If you have questions concerning the changes, you should immediately contact the office of the Assistant Administrator for Farmer Programs or the Deputy Administrator for Program Operations.

La Verne Ausman

LA VERNE AUSMAN
Administrator

Attachment

EXPIRATION DATE: June 30, 1993

FILING INSTRUCTIONS: Preceding FmHA Instruction 1951-A

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1992-1993 MANAGEMENT AND SERVICING GOALS

ATTACHMENT B

FARMER PROGRAMS

Goals are an important tool in accomplishing program objectives. They focus effort on activities which will result in accomplishment of objectives set forth in the Agency's Strategic Plan. Significant progress is being made in many States. Accomplishment of these goals not only reduces program costs, but improves the success ratio of our borrowers. Farmer Programs Management and Servicing goals are focused on the following goals and objectives as identified in the FmHA Strategic Business Plan:

1. Credit Quality/Loan Making
2. Portfolio Management
3. Guaranteed Loans

CREDIT QUALITY AND/OR LOAN MAKING

GOAL 1 A. REDUCE NUMBER OF ALL INSURED LOANS BECOMING DELINQUENT THE FIRST YEAR AFTER BEING MADE OR RESTRUCTURED BETWEEN 1/1/92 AND 12/31/92

WEIGHT: 20 percent

NATIONAL AGENCY OBJECTIVE: 13 percent

MEASUREMENT: FOCUS Run on PLAS Database (same as 1991-92)

Please see Attachment A, General Comments and Explanations, Item 3, for further discussion.

Of the loans made or restructured between January 1, 1991, and December 31, 1991, 24.1 percent were not paid as scheduled as of March 10, 1992.

Achievement of this goal depends primarily on the decisions of credit officials. If the delinquency rate is higher than the goal, it should be due to unusual disasters or similar problems beyond the control of credit officials. These uncontrollable factors will be evaluated on a State-by-State basis throughout the year.

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The first year delinquency percentage will be determined as described below. Delinquency is defined as being more than 30 days past due on a scheduled loan payment.

1. Determine the number of loans made and/or restructured between January 1, 1992, and December 31, 1992.

2. Determine the number of these loans which are delinquent as of June 30, 1993, or would have been delinquent on June 30, 1993, except that the delinquency was removed by restructuring between January 1, 1993, and June 30, 1993.

3. The number of loans in number 2, divided by the total number of loans made or restructured during the period, equals the first year delinquency rate. EXAMPLE:

No. of loans made or restructured between 1/1/92 and 12/31/92:	1,000
No. of the above loans delinquent on 6/30/93:	40
No. of the restructured loans which are delinquent or would have been had they not been restructured again between 1/1/93 and 6/30/93:	60

Goal level: 40 + 60 divided by 1,000 = 10% first year delinquency rate.

State goal levels were developed to require states with a first year delinquency level significantly above the National Agency Objective to make substantial progress toward the objective level. States with levels above the goal level, but closer to it, are expected to reach the National Agency Objective. States at or below the National Agency Objective level are encouraged to maintain or reduce current levels, but must not exceed the National Objective level to meet the goal.

Specific goal levels were developed using the first year delinquency level for the 1991-92 goal period, using data as of March 31, 1992, as a base.

- States with a rate of 30 percent or above will reduce by 15 percent.
- States with a rate from 25 to 29 percent will reduce by 10 percent.

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- o States with a rate from 20 to 24 percent will reduce by 7 percent.

- o States with a rate from 14 to 19 percent will reduce to 13 percent.

- o States at or below 13 percent will maintain or not exceed the base level of 13 percent.

Any percentages will be rounded up or down to the nearest whole number.

GOAL 1 B. IMPROVE TIMELINESS OF PROCESSING INSURED LOAN APPLICATIONS

WEIGHT: 10 percent

NATIONAL AGENCY OBJECTIVE: Loan Approval Time Will be 60 Days or Less from Receipt of Complete Application

MEASUREMENT: **Please see Attachment A, General Comments and Explanations, Item 4, for further discussion.**

States will only be measured against the total 60-day timeframe, and not incremental timeframes.

Timely processing of loan applications is critical to meet statutory requirements and to provide quality service to FmHA applicants and borrowers. Achievement of this goal will require timely action by County Office Staff, County Committees, and loan review/underwriting officials as follows:

a)	Review application; advise applicant of additional information needed	14 calendar days
b)	County Committee action on completed application.	7 calendar days
c)	Analyze, review, underwrite and approve or reject application.	60 calendar days

States which have no more than 5 percent of complete applications approved or rejected beyond the 60 day requirement will be considered as having met this goal. Time during appeals will not be included in the calculations.

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GOAL 1 C. PROVIDE MAXIMUM OPPORTUNITY TO SOCIALLY DISADVANTAGED GROUPS TO BECOME SUCCESSFUL FARMERS

WEIGHT: 5 percent

NATIONAL AGENCY OBJECTIVE: Obligate 100 percent of SDA Targeted Insured FO Funds

Section 617 of the 1987 Agricultural Credit Act and Section 2501 (f) of the 1990 Food, Agriculture, Conservation, and Trade Act direct the Secretary of Agriculture to ensure that members of socially disadvantaged (SDA) groups have an opportunity to own and operate farms/ranches and to participate in agricultural programs.

The goal for 1992-1993 is to obligate 100 percent of the targeted SDA insured (direct) FO loan funds for all States, except Alaska. Alaska is exempted due to very limited farming in the area served. State Offices which do not have enough funds to make more than one SDA direct FO loan will meet their goal if they make at least one SDA direct FO loan in FY 1993 even though they do not obligate 100 percent of their allocation.

MEASUREMENT: Report Code 205-C

PORTFOLIO MANAGEMENT

GOAL 2 A. REDUCE FARMER PROGRAMS DELINQUENT DOLLARS

TOTAL WEIGHT: 15 percent

NATIONAL OBJECTIVE: Reduce overall amount of delinquent dollars (P&I) in nonflagged accounts by 90 percent by June 30, 1993. Reduce delinquent dollars (P&I) in flagged accounts by 15 percent by June 30, 1993.

i. Weight: 10%. Reduce the Amount of 7/1/92 Delinquent Dollars (P&I) in Nonflagged Accounts. <u>1951-S and Collection-Only Accounts are the only "flagged" accounts included in this portion of the goal.</u> Any increase in dollars during the goal year must also be resolved to show a total net decrease in the delinquency by 90 percent.

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Example: $850,000 delinquent P&I as of July 1, 1992, less 90 percent equals a balance outstanding of $85,000 as of June 30, 1993. Any increase in the $850,000 must also be resolved to meet the goal of $85,000.

ii. Weight: 5%. Reduce the Amount of Delinquent Dollars (P&I) in Flagged Accounts (i.e., those flagged BAP, CAP, or FAP) as of 7/1/92 by 15 percent by 6/30/93. Full credit for resolution of the delinquency will be given for all "Subject to Agreed Adjustments" (SAA's) approved during the goal year. Any increases in delinquent dollars after 7/1/92 will not be considered in the goal measurement.

Example: $700,000 delinquent P&I as of July 1, 1992, less 15 percent equals a balance outstanding of $595,000 as of June 30, 1993. (Increases in delinquent dollars are not to be considered in goal measurement.)

MEASUREMENT: Each State's goal will be measured by reducing delinquent principal and interest as of July 1, 1992, by 90 percent for nonflagged accounts and 15 percent for flagged accounts by June 30, 1993. The 90 percent is a "moving target" and the 15 percent goal is not.

Report Code 540 and FOCUS will be used to measure this goal.

Please see Attachment A, General Comments and Explanations, Item 1, for further discussion.

GOAL 2 B. TRACK LOAN SERVICING OF DELINQUENT BORROWERS USING AGCREDIT.

WEIGHT: 5 Percent

NATIONAL OBJECTIVE: Enter 100% of all delinquent borrowers, including those flagged BAP, CAP, FAP, and CO, into AGCREDIT and track them in that system.

MEASUREMENT: Case numbers of delinquent, BAP, CAP, FAP, and CO borrowers listed on the June 30, 1992, Report Code 540 will be compared with borrower case numbers in AGCREDIT. State Offices are responsible to ensure that 100% of the delinquent borrowers identified on the RC 540 are entered into AGCREDIT. States will be considered to have met the goal when all delinquent borrowers' case numbers are matched from all data sources. This match will

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not encompass matching a borrower's specific servicing status from the 2 sources. Goal achievement will be reported using percentages.

No current status is shown on goal worksheets since the number of borrowers that each State must enter to achieve the goal cannot be determined until the June 30, 1992, RC 540 is prepared.

GOAL 2 C. MOVE INSURED FARMER PROGRAMS BORROWERS TO OTHER SOURCES OF CREDIT EITHER WITH OR WITHOUT A GUARANTEE (SUBORDINATIONS ARE NOT INCLUDED)

WEIGHT: 10 percent

NATIONAL OBJECTIVE: Move 4.2 percent of total existing insured borrower caseload as of June 30, 1992, to other credit by June 30, 1993. <u>Youth loans are not counted in this goal</u>.

MEASUREMENT: The COORS report will be used to measure borrowers moved to other credit with or without a guarantee. Partial "graduations" will be counted as one-half of a full graduation when all of either the real estate or operating credit is moved to other credit with or without a guarantee. For example, if a borrower has two OL loans and one FO loan, one-half credit will be given towards goal accomplishment if both OL's were refinanced with or without a guarantee and reported on COORS.

EXAMPLE: 5,000 (active borrowers) plus 2,000 (other borrowers) equals 7,000 total insured borrower caseload. 5 percent of 7,000 equals 350 borrowers to move to other credit by June 30, 1993.

GOAL 2 D. SALE/TRANSFER OF FARMER PROGRAMS INVENTORY PROPERTIES

WEIGHT: 10 percent

NATIONAL OBJECTIVE: Dispose of 80 percent of inventory farms by June 30, 1993, and maintain that rate of disposal annually thereafter. The 80 percent rate allows for a 20 percent margin for properties which are impossible to sell due to environmental, appeals, litigation, or wetland actions.

MEASUREMENT: Each state is to reduce by June 30, 1993, 80 percent of the number of farm inventory properties that are in

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inventory on June 30, 1992, as identified on a list to be provided to each State Office.

Please see Attachment A, General Comments and Explanations, Item 2, for further discussion.

Example: 200 (total inventory farms) less 50 (leaseback/buyback and dwelling retention) less 30 (in inventory less than 12 months) equals 120 multiplied by 80 percent equals 96 farms to sell/transfer by June 30, 1993.

The National Office will use Report Code 593 and FOCUS to measure this goal. Each state should refer to Report Code 597 and FOCUS for goal updates.

GUARANTEED LOANS

GOAL 3 A. INCREASE GUARANTEED LOAN OBLIGATIONS AS A PERCENT OF TOTAL OBLIGATIONS

WEIGHT: 15 percent

NATIONAL AGENCY OBJECTIVE: 80 Percent of Total Loan Obligations Made Between 7/1/92 and 6/30/93 Will Be Guaranteed

MEASUREMENT: RC 205 and FOCUS run for lines of credit

The goal level is established so that the Agency will have sufficient insured funds to meet demand. It assumes that the level of insured funds in the President's FY 93 Budget will be offset with guarantees using interest assistance, and that overall credit demand is constant.

The total of (1) insured loan obligations (excluding EM and youth loans), (2) guaranteed loan obligations, and (3) LOC's which could be advanced for the 2nd or 3rd year, will be divided by the sum of (2) and (3) as of the end of rating period on June 30, 1993.

State goal levels were developed so that states at very high percentages of guaranteed credit would have an opportunity to exceed the goal, and states below or significantly below the National Agency Objective would be required to make substantial progress toward the National Agency Objective.

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The specific goal levels were developed using actual status as of March 31, 1992, plus projections for additional obligations through June 30, 1992. <u>The projections were based on applications on hand, approval rates, and the percentage of guaranteed obligations since June 30, 1991</u>.

- o States projected below 70 percent must increase by 5 percent.
- o States projected between 70 and 75 percent have a goal of 75 percent.
- o States projected between 75 and 80 percent should maintain their projected level.
- o States projected at 80 percent or above will be allowed to decrease to not less than 80 percent without being penalized and will be considered to have met their goal.

<u>Any percentages will be rounded up or down to the nearest whole number</u>.

GOAL 3 B. IMPROVE TIMELINESS OF PROCESSING ALP GUARANTEED LOAN APPLICATIONS

WEIGHT: 10 percent

NATIONAL OBJECTIVE: Approve a guarantee (i.e., Form FmHA 1940-3 signed) in 14 calendar days or less.

MEASUREMENT: **Please see Attachment A, General Comments and Explanations, Item 4, for further discussion.** Measurement will be applied against the total 14-day timeframe, not incremental timeframes.

Excessive processing time for guarantee requests is a major source of complaints from lenders. Timely processing will encourage lender participation, provide guaranteed borrowers funds on a more timely basis, and reduce demand for direct loan funds.

Achievement of this goal will require timely action by County Office Staff, County Committees, and Loan review/underwriting officials as follows:

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a)	Review application, advise lender of additional information needed	2 calendar days
b)	County Committee action on application	7 calendar days
c)	Analyze, review, underwrite and approve (i.e., Form FmHA 1940-3 signed) or reject application	5 calendar days
		Total - 14 Calendar days

States which have no more than 10 percent of complete applications approved or rejected beyond the 14-day requirement will receive full credit for this goal. Time spent in the appeals process will not be included in the calculations for this goal.