

GUARANTEED NEWS

Volume No.1

May 2002

Application for Guarantee Revised

The FSA-1980-25, "Application for Guarantee" and FSA-1980-28, "Preferred Lender Application for Guarantee" have been revised to provide that amounts paid to a lender by FSA as a result of a loss on a guaranteed loan account will constitute a Federal debt. The Agency may use all remedies available to it, including offset under the Debt Collection Improvement Act of 1996, to collect the debt from the borrower. This will apply to all guaranteed loans made after July 20, 2001.

Federal Crop Insurance indemnity payments are prohibited from offset under section 509 of the Federal Crop Insurance Act (7 U.S.C. 1509). FSA also will not offset environmental cost-share assistance payments for establishment costs that are made for newly enrolled FSA Conservation Reserve Program acres or in other situations not in the best interest of the Government. FSA's current policy for direct loan debt collections will be used for collection of Federal debt arising from guaranteed loans.

Borrowers that are part of corporations, partnerships or other entities shall be subject to offset against the borrower's pro rata share of entity payments pursuant to 7 CFR 792.7(1), 1403.7(q) and 1951.106.

FSA cannot approve release of liability requests from a lender on loans when final loss claims are paid on loans made after July 20, 2001.

Revised forms are available on line at www.fsa.usda.gov.



INSIDE

2	Year End Reporting Requirements
2	General Reporting Requirements
2	Interest Assistance News
3	Interest Assistance Claim Tips
3	Guaranteed Loan Limits Have Increased
4	FSA Electronic Access
4	FSA FY 2001 Statistics
4	Texas Funding Levels Update
5	Texas Advance and Introductory Lender Training Schedule
6	Texas Office Contacts

Year End Reporting Requirements

Submission summary for Standard Eligible Lenders (SEL):

Lines of Credit

- Balance Sheet and Farm Visit Report
- Income and Expense Statement
- Projected Cash Flow

SEL Lenders must receive approval from the Agency before advancing future year's funds on Lines of Credit.

Term Chattels

- Balance Sheet and Farm Visit Report
- Income and Expense Statement

Real Estate

- Balance Sheet and Farm Visit Report
- Income and Expense Statement from previous year ONLY if loan was also secured by chattels

Submission summary for Certified Lender Program (CLP):

CLP Lenders will determine the need for the annual analysis based on the financial strength of the borrower and document in the file accordingly.

Line of Credit

- Certification that the cash flow was obtained
- Borrower is in compliance with Lender's Agreement
- Lender has accounted for previous year's income, loan funds and security proceeds.

Term Chattels

- Either a summary of Lender's analysis or summary as to why financial strength makes analysis unnecessary

Real Estate

- Either a summary of Lender's analysis or summary as to why financial strength makes analysis unnecessary

Preferred Lender Program (PLP) lenders will submit documentation per their Credit Management System (CMS) and Lender's Agreement.

ALL Lenders are required to submit an analysis for loans covered by an Interest Assistance Agreement.

General Reporting Requirements

Lenders are responsible for providing FSA with the following:

- Default status Reports (1980-44)
 - To report when the guaranteed loan is 45 days past due.
 - To report every 60 days the progress to cure the delinquency.
 - **To report when loan becomes current.**
- Loan Status Reports (1980-41) as of March 31 and September 30 each year.
- Future recovery reports for 3 years following the payment of a loss claim.
- PLP Lender's periodic reports as established in CMS.

Interest Assistance News

The terms of the Interest Assistance Agreement shall not exceed 10 years from the date of the *first* IA agreement signed by the borrower(s). However, Lenders may consider additional years of IA on the individual merits of the case under the exception authority of paragraph 232 of 2-FLP.

Lenders are reminded to submit requests for Interest Assistance payment and renewal within 60 days of the annual review date.

Interest Assistance Claim Tips

- Regardless of the Lender's method of calculating interest for the borrower (360, 365 or 360/365), by law FSA is only permitted to pay 4 percent of the average daily principal balance (ADPB).
- Interest Assistance claims submitted with interest accrual based on 360 and then multiplied by 365 are not acceptable.
- If loan is closed on a 365-calendar-day basis, interest that accrues on February 29 is not recognized by FSA's Finance Office and will not be paid.
- FSA's Finance Office system does not count the last day of the claim period. The ending day of the claim period becomes the first day of the next claim period.
- Partial year payment with a 360-Calendar-Day basis interest accrual will be calculated as follows:

$$\text{ADPB} \times 4 \text{ percent} \times [(\text{number of months in claim period} \times 30 \text{ days}) + \text{number of days in partial month} - 1 \text{ day (last day of the claim period)}] / 360$$

Example: Claim period is 8/27/01 through 12/31/01 (5 days + 4 months x 30 calendar days - 1 day = 124 days)

$$\$100,000 \times 4 \text{ percent} = \$4,000 \times 124 \text{ calendar days} / 360 = \$1,377.78$$

- Partial year payment with a 365-Calendar-Day basis interest accrual will be calculated as follows:

$$\text{ADPB} \times 4 \text{ percent} \times \text{actual days in the claim period} - 1 \text{ day (last day of the claim period)} / 365$$

Example: Claim period is 8/27/01 through 12/31/01 (127 calendar days - 1 day = 126 days)

$$\$100,000 \times 4 \text{ percent} = \$4,000 \times 126 / 365 = \$1,380.82$$

Guaranteed Loan Limits Have Increased

Effective October 19, 2001, FSA's guaranteed loans limits have increased. Limits include new guaranteed loan(s) plus any outstanding direct or guaranteed principal balances, as indicated, owed by anyone who will sign the promissory note.

The total outstanding:

- combined guaranteed farm ownership (FO) and operating loan (OL) principal balance cannot exceed \$759,000
- direct and guaranteed FO principal balance cannot exceed \$759,000
- direct and guaranteed OL principal balance cannot exceed \$759,000
- direct and guaranteed FO and OL principal balance cannot exceed \$959,000

FSA Electronic Access

FSA electronic forms technology represents the latest USDA contribution to the “user friendly” and “paperless” office environment. You can access FSA loan origination forms and instructions, loan servicing forms and instructions and processing checklists from Farm Service Agency’s home page at www.fsa.usda.gov following these steps:

- From FSA home page: (1) click on online forms under the “Resources” heading. This will link you to USDA’s eForms site.

Users will need to download and install the OmniForm Plug-in (available on the site) to view, update, save and print an OmniForm version of a form. Adobe Acrobat forms are also available at the site but most are not fillable and cannot be saved.

Lenders may also obtain copies of the 2-FLP Guaranteed Loan Making and Servicing Handbook from FSA’s home page at www.fsa.usda.gov. (1) click on farm loans under Services/Programs (2) click on guaranteed loans (3) click on view or download our 2-FLP Handbook. You can obtain the entire handbook or specific parts by clicking on the link. The handbook is amended periodically and the information on the site is current through amendment 9 of 2-FLP.

Please contact your local FSA Service Center if technical assistance is needed on forms or obtaining current handbooks.

Nationwide

FSA FY 2001 Statistics

By the end of Fiscal Year 2001, 139 lenders have achieved Preferred Lender Program (PLP) status and 543 lenders have been granted Certified Lender Program (CLP) status. FSA’s guaranteed program has grown to serve nearly 41,000 ranchers and farmers nationwide with 67,621 loans totaling close to \$7.7 billion dollars. Nationwide, the percent of delinquent loans was 4.14% and the percent of delinquent dollars was 2.76%.

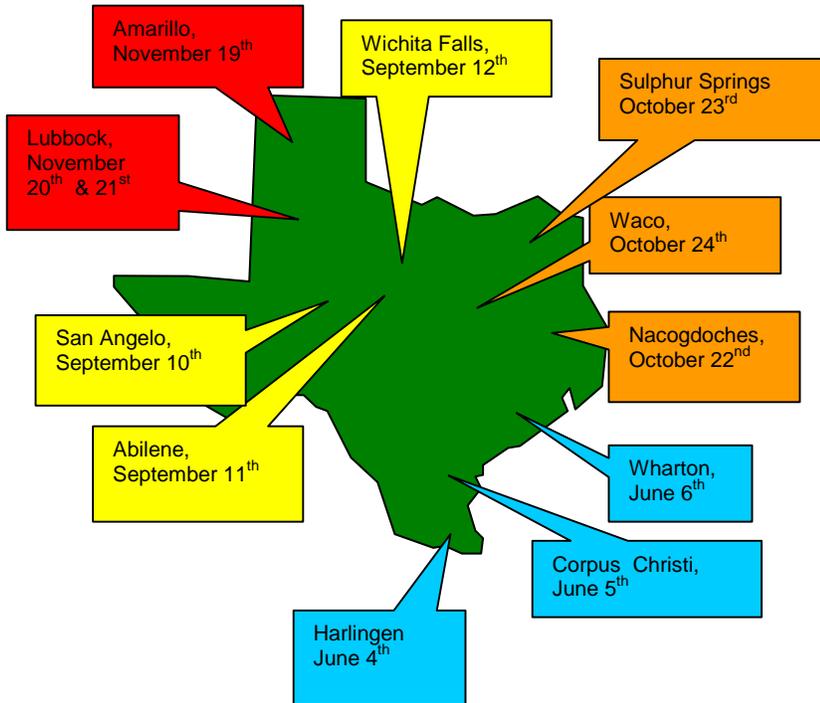
Texas Funding Levels Update

(as of 5/13/02)

The following chart outlines FSA’s available funds remaining for Fiscal Year 2002.

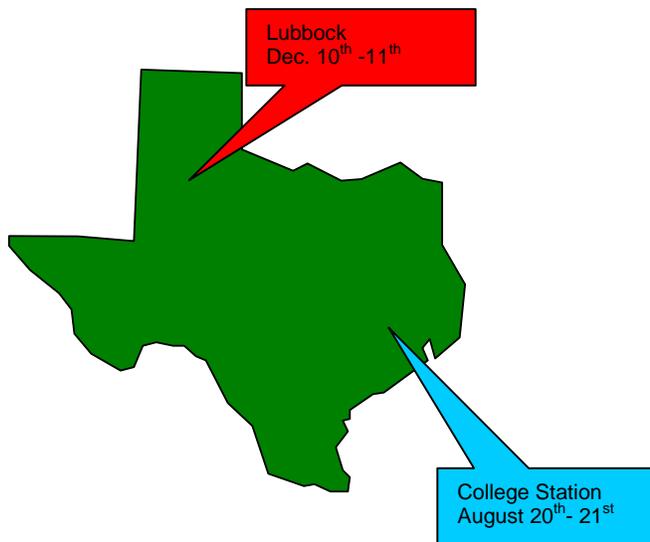
Guaranteed OL-Non Beginning	\$7,091,897
Guaranteed OL-Non Beginning-Socially Disadvantaged	\$11,279,000
Guaranteed OL-Beginning Farmer	\$16,960,225
Guaranteed OL-Beginning Farmer-Socially Disadvantaged	\$8,721,570
Guaranteed OL-Non Beginning with Interest Assistance	\$0
Guaranteed OL-Non Beginning-Socially Disadvantaged with Interest Assistance	\$1,375,000
Guaranteed OL-Beginning Farmer with Interest Assistance	\$0
Guaranteed OL-Beginning Farmer-Socially Disadvantaged with Interest Assistance	\$917,000
Guaranteed FO-Non Beginning	\$12,451,662
Guaranteed FO-Non Beginning-SDA (Ethnic)	\$11,835,240
Guaranteed FO-Non Beginning-SDA (Gender)	\$4,330,000
Guaranteed FO-Beginning Farmer	\$4,534,370
Guaranteed FO-Beginning Farmer-SDA (Ethnic)	\$810
Guaranteed FO-Beginning Farmer-SDA (Gender)	\$117,500

Texas Advanced Lender Training Schedule



<u>Date</u>	<u>Location</u>
June 4, 2002	Courtyard by Marriott Harlingen, TX
June 5, 2002	Holiday Inn Corpus Christi, TX
June 6, 2002	Wharton County Civic Center Wharton, TX
Sept 10, 2002	TX A&M Research & Extension San Angelo, TX
Sept 11, 2002	Embassy Suites Abilene, TX
Sept 12, 2002	Radisson Hotel Wichita Falls, TX
Oct. 22, 2002	Comfort Inn Nacogdoches, TX
Oct. 23, 2002	Regional Lvstck Exp & Audit. Sulphur Springs, TX
Oct. 24, 2002	Hilton Waco Waco, TX
Nov 19, 2002	Ambassador Hotel Amarillo, TX
Nov 20, 2002	Holiday Inn Hotel & Towers Lubbock, TX
Nov 21, 2002	Holiday Inn & Towers Lubbock, TX

Texas Introductory Lender Training Schedule



<u>Date</u>	<u>Location</u>
August 20-21, 2002	Hilton Hotel & Convention Center College Station, TX
December 10-11, 2002	Ashmore Inn & Suites Lubbock, TX

For more information contact:

TEXAS FSA

FARM LOAN MANAGERS

Anson, Ricky Young	915-823-3255	Mt. Pleasant, Nancy Hendley	903-572-5411
Alice, Edmundo J. Garza	361-668-0453	Muleshoe, Joyce M. Thompson	806-272-4538
Bellville, David R. Sullivan	979-865-9109	Nacogdoches, Gregory Baldock	936-564-0232
Bonham, David L. Dunmon	903-583-2168	Paducah, Donna K. Drennan	806-492-3521
Brownfield, Curtis Barlow	806-637-7563	Perryton, James Heck	806-435-6859
Center, Gerald L. Green	936-598-5557	Plainview, Mark D. Latham	806-296-5541
Childress, Vacant	940-937-6108	Roby, Roger W. Kalina	915-735-3609
Clarendon, Larry J. Goetze	806-874-3552	San Angelo, Paul Cline	915-655-5518
Dalhart, Hunter Lathem	806-244-6640	Seguin, Raecene Randall	830-379-0932
Dimmitt, Edward B. Luebken	806-647-5141	Seminole, Wayne Cornelius	915-758-3254
Edinburg, Arnulfo Lerma	956-381-0916	Stephenville, Ronnal E. Bruton	254-965-3169
Farwell, Thomas S. Taylor	806-481-3311	Stanton, Wallace Foy	915-756-3308
Floydada, Becky V. Rainer	806-983-2430	Sulphur Springs, O. Ellis Dicus	903-885-1574
Franklin, Nathan P. Philipello	979-828-3214	Sweetwater, Dennis V. Cumbie	915-236-6337
Ft. Stockton, William H. McAnally	915-336-5206	Tulia, Ross W. James	806-995-2318
Gonzales, Barbara L. Kelley	830-672-8621	Tyler, Chris Lynn	903-561-6042
Hamilton, D. Dale Vann, Sr.	254-386-3913	Uvalde, Sara K. Webb	830-278-4571
Haskell, Larry P. McDaniel	940-864-2615	Vernon, Kelley R. Boone	940-553-3327
Lamesa, Vacant	806-872-6761	Waxahachie, Abdelsalam El Farra	972-937-2660
Levelland, Donna S. Finch	806-894-9683	Weatherford, Donald W. Pipes	817-599-7329
Littlefield, Jim W. McCary	806-385-4475	Wharton, J. Michael Koch	979-532-0543
Lubbock, D. Craig Simpson	806-785-5644		
Marlin, Terri K. Trevino	254-883-5577		



The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law is the Federal Trade Commission, Equal Credit Opportunity, Washington, DC 20580.

If you believe that you have been discriminated against for any of the reasons stated above, you may file a complaint with the Director, Office of Civil Rights, United States Department of Agriculture, Room 326-W, Whitten Building, 1400 Independence Avenue S.W., Washington, DC 20250-9410.