

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

**Guaranteed Loan Making and Servicing
2-FLP**

Amendment 11

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

**A
Reasons for
Amendment**

This handbook has been amended to clarify actions the lender must take if submitting guaranteed loan applications online using the USDA Service Center eForms website.

Subparagraphs 69.5 B, 70 A, and 247 A have been amended to include that if the lender submits an application form online, the original, completed FSA-1980-25 or FSA-1980-28, with appropriate signatures, must be provided to FSA before the guarantee can be issued.

Paragraph 73 has been added to explain how to register and submit applications electronically.

Subparagraph 244 A has been amended to reflect the current statutory loan limits.

Subparagraph 245 C has been amended to include that if the application package has been submitted electronically, then FSA-1980-15, item 17 should specify that the original, signed copy of the application will be submitted with the loan closing documents.

Page Control Chart		
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Part 5 Loan Application Requirements (7 CFR 762.110)

*--Section 1 Application Requirements for SEL's and CLP Lenders

69 General Application Requirements--*

A**Application Requirements**

SEL's and CLP lenders must perform at least the same level of evaluation and documentation for guaranteed loans as for nonguaranteed loans of a similar type and amount.

Good communication with lenders will minimize problems and help ensure a rapid review of applications. The Authorized Agency Official should communicate with lenders throughout the application preparation and submission process. Lenders should be encouraged to:

- contact Authorized Agency Officials for assistance with the application
- address any issues or deficiencies before they become problems.

Lenders may use FSA-1980-01 as an application processing checklist. FSA may use FSA-1980-02 to review an application for completeness.

B**Maintaining Complete Loan File**

All lenders must compile and maintain in their files a complete application for each guaranteed loan. CLP lenders must certify that the required items, not submitted, are in their files.

--The lender's file must contain the applicable items in paragraphs 69.5 and 69.6 and all correspondence with the borrower regarding servicing actions and-- other loan-related documentation generated after loan approval.

The Agency may request additional information from any lender or review the lender's loan file as needed to make eligibility and approval decisions.

69.5 Requirements for Loans of \$125,000 or Less (7 CFR 762.110)

**A
Application
Package**

A complete application for loans of \$125,000 or less from SEL and CLP lenders must, at least, consist of:

- **the application form** (see subparagraph B)
- **loan narrative** (see subparagraph C)
- **balance sheet** (see subparagraph D)
- **cash flow budget** (see subparagraph E)
- description of farmed land (see subparagraph F)
- **credit report** (see subparagraph G)
- environmental information (if needed see subparagraph H)
- information related to entity applicants (if needed see subparagraph I).

In addition to the minimum requirements, the lender will perform at least the same level of evaluation and documentation for a guaranteed loan that the lender typically performs for non-guaranteed loans of a similar type and amount.

The \$125,000 threshold includes any single loan, or package of loans submitted for consideration at any one time. A lender must not split a loan into two or more parts to meet the threshold thereby avoiding additional documentation.

Separate \$125,000 thresholds apply to FO and OL/LOC. An application requesting guarantees of loans of different types (FO or OL/LOC), each of which is \$125,000 or less, will be processed under the requirements of this paragraph. The maximum loan package that can be processed under this paragraph is \$250,000.

The Agency may require lenders with a lender loss rate in excess of the rate for CLP lenders to assemble additional documentation from paragraph 69.6.

On an individual lender basis, FSA may request additional information to make eligibility and approval decisions.

Note: The \$125,000 threshold was effective with enactment of the Farm Security and Rural Investment Act of 2002. CFR has not yet been revised to conform with the law.

Continued on the next page

69.5 Requirements for Loans of \$125,000 or Less (7 CFR 762.110) (Continued)

B**Application
Form**

Lenders may use FSA-1980-25 or their own loan application form if it contains the same information. If a lender uses its own application form, the lender must attach an executed FSA-1980-25 containing the loan applicant's name and address and any information not on the lender's form.

***--Note:** If the lender submits FSA-1980-25 electronically, then the application shall be processed. However, the original, completed FSA-1980-25, with appropriate signatures, must be provided to the Agency before issuing the guarantee.--*

Continued on the next page

Section 2 Preferred Lender Applications

70 Application Requirements for PLP Lenders (7 CFR 762.110)

**A
Application
Requirements****A complete application for PLP lenders will consist of:**

- **an application form (FSA-1980-28)**
 - *--**Note:** If the lender submits FSA-1980-28 electronically, then the application shall be processed. However, the original, completed FSA-1980-28, with appropriate signatures, must be provided to the Agency before issuing the guarantee.--*
- **a loan narrative**
- **any other items agreed to during the approval of the PLP lender's status and contained in the PLP lender agreement.**

PLP lenders must certify that the required items, not submitted, are in their files. On a case-by-case basis, **the Agency may request additional information from any lender or review the lender's files as needed to make eligibility and approval decisions.** These requests shall be made only in situations when, because of the unique characteristics of the loan request, an eligibility or approval decision cannot be made without additional information.

FSA can conduct its environmental review in most cases without additional information from the lender. However, occasionally additional information is needed, and until this information is received, the application is not complete, and the 14-calendar-day timeframe does not start. Situations needing additional information often involve wetland determinations, potential historical or archaeological sites, or construction of major confinement livestock facilities. The review is FSA's responsibility to conduct. However, the information to complete this review is part of a complete application.

Continued on the next page

70 Application Requirements for PLP Lenders (7 CFR 762.110) (Continued)

**B
Loan
Narrative**

FSA expects PLP lenders to include a discussion of the 5 “C’s” of credit; that is, character, capacity, capital, conditions, and collateral; in the narrative. The narrative prepared by PLP lenders should contain applicable information similar to subparagraph 69.5 C.

For many PLP lenders, the narrative will often contain the same information submitted to the lender’s loan committee. Since the Authorized Agency Official will rely on the narrative and application form for making the loan approval decision, it is important that the narrative cover any issues or questions that may arise during the evaluation process.

Section 3 Other Guaranteed Application Options

71 Application Requirements for Subsequent OL's

A

Application Requirements

Subsequent OL's within the same operating cycle do not require the complete application submission in paragraphs 69, 69.5, 69.6, 69.7, and 70. Only those items that have changed from the original application must be submitted, such as the cash flow projection.

72 Market Placement Program (7 CFR 1910.4(c))

A

Purpose

The Market Placement Program:

- is designed to assist qualified existing direct loan borrowers and new direct loan applicants in obtaining a guaranteed farm loan from a commercial lender
 - reduces the number of direct loans FSA makes, which reduces FSA costs while still meeting the credit needs of the farmer
 - helps new lenders become familiar with FSA lending standards and, therefore, serves a marketing function for the Guaranteed Farm Loan Program.
-

B

Lender Participation

Each County Office shall identify lenders who are interested in participating in the Market Placement Program. To identify lenders, the County Office shall contact lenders:

- currently participating in the Guaranteed Farm Loan Program
- who are **not** participating in the Guaranteed Farm Loan Program.

--Lenders should advise FSA of their interest.--

Continued on the next page

72 Market Placement Program (7 CFR 1910.4(c)) (Continued)

C**FSA Preparation of Loan Application**

If the loan assessment completed in accordance with the direct loan application concludes that guaranteed assistance may be available, FSA will send the information in the loan application to area lenders.

In the Market Placement Program, direct loan applications are processed under the standard direct loan procedures. If the loan applicant is eligible and may qualify to receive a guaranteed loan, the Authorized Agency Official shall present the completed guaranteed loan application to 1 or more lenders, selected by the loan applicant, who have expressed an interest in the Market Placement Program. The lenders are informed that FSA will guarantee a loan when an application package is presented to them.

FSA shall complete and provide the following to lenders:

- FSA-1980-25
- FSA-431-2
- a narrative
- a suggested plan for servicing
- an appraisal.

To complete the guaranteed loan application, the Authorized Agency Official shall use estimated interest rates and terms. If more than 1 lender is interested in the guaranteed loan, the loan applicant shall select 1 of the lenders. The lender must prepare the loan or LOC agreement. SEL's must submit the loan or LOC agreement to FSA before FSA issues FSA-1980-15. FSA-1980-15 shall be issued upon the lender's acceptance of the loan application and confirmation that funds are available.

***--73 Filing Applications Electronically**

A**Registering to Submit Applications**

Lenders may submit applications electronically through USDA's Online Services website. Lenders interested in filing electronically must first register. An explanation of the registration process, along with the necessary form, can be found by either:

- clicking on "Register" at www.sc.egov.usda.gov
- contacting any USDA Service Center.

Currently, registration is limited to individuals; **lenders cannot be registered as organizations**. However, persons representing lenders may register as an individual, and then may electronically sign and submit applications on behalf of the lender.

B**Submitting Applications**

Once a lender's representative has registered and received a user ID and password, the representative may submit applications by clicking on "eForms" at www.sc.egov.usda.gov, signing in, and following the instructions to find, complete, and submit forms. Other electronic documents needed for a complete application may be attached to the application form and submitted to FSA.

If the lender submits the application electronically, the application will be processed. However, the original, completed FSA-1980-25 or FSA-1980-28, with appropriate signatures, must be provided to FSA before the Agency will issue the guarantee.--*

74-82 (Reserved)

Part 10 Processing Approvals and Issuing the Guarantee

244 Loan Approval

A

Loan Limits

The maximum FO or OL levels outlined in this subparagraph include the guaranteed loan being made plus any outstanding direct or guaranteed principal balances, as indicated, owed by anyone who will sign the promissory note.

The total outstanding combined guaranteed FO and OL principal balance cannot *--exceed \$762,000.

The total outstanding direct and guaranteed FO principal balance cannot exceed \$762,000.

The total outstanding direct and guaranteed OL principal balance cannot exceed \$962,000.

The total combined outstanding direct and guaranteed FO and OL balance cannot exceed \$962,000.

The total combined outstanding direct and guaranteed FO, OL, and EM balance cannot exceed \$1,462,000.--*

Note: The dollar limit of guaranteed loans is adjusted annually based on the percentage change in the Prices Paid by Farmers Index, as compiled by USDA.

FSA personnel should refer to 1-FLP for information on loan approval authorities.

Continued on the next page

244 Loan Approval * * * (Continued)

B**Submitting RD-1940-3 to the Loan Approval Official**

When the loan exceeds the Authorized Agency Official's approval authority, the Authorized Agency Official should send the approval official any information the approval official needs to evaluate the loan request, including the following:

- a completed RD-1940-3
- the loan approval screens from the appropriate automated system
- FSA-1980-25 for SEL and CLP loan applicants or FSA-1980-28 for PLP loan applicants
- FSA-1980-15 with recommended changes
- the balance sheet and cash flow statement (for SEL applicants)
- the loan narrative
- any other information the approval official requests.

Once the loan approval official executes RD-1940-3, the Authorized Agency Official may then proceed to execute all other loan-related documents, unless otherwise specified by the loan approval official.

C**Lender Notification of Authorized Agency Official Decision**

The lender should be informed of the approval decision in writing.

- If the application is approved and funds are available, the Authorized Agency Official shall prepare a letter to the lender (subparagraph D) and *--FSA-1980-15 and proceed to paragraph 245.--*
- If the application is approved and funds are not available, the Authorized Agency Official shall prepare a letter (subparagraph E) to the lender with a copy to the applicant, informing them the loan is approved, subject to the allocation of funding. This letter should inform the lender that funding is being requested and the loan should not be closed until they receive FSA-1980-15, agree to the conditions, and execute the document.
- If the application is rejected, the Authorized Agency Official shall prepare a letter to the lender with a copy to the applicant informing them the loan is rejected, the reasons for rejection, and their right to appeal the decision as outlined in 1-APP.

Continued on the next page

C

**Issuing
FSA-1980-15**

After receiving confirmation from the automated system that funds have been obligated for the loan, the Authorized Agency Official may execute FSA-1980-15. Since FSA-1980-15 will be used by FSA in the event of a loss claim to determine the responsibilities of the lender, the Authorized Agency Official should give careful attention to its completion.

- **Loan Purposes.** The Authorized Agency Official should ensure that the specific purposes for which the loan funds will be used are detailed on FSA-1980-15. These purposes must be consistent with the purposes shown on *--FSA-1980-25 or FSA-1980-28 and any agreed modifications.
- **Security for the Loan.** The Authorized Agency Official should ensure that additional security items not listed on FSA-1980-25 and FSA-1980-28, but required by the Agency, are included on FSA-1980-15.
- **Electronic Applications.** If the lender submitted FSA-1980-25 or FSA-1980-28 electronically, then FSA-1980-15, item 17 should specify that the original, signed copy of the application be submitted with the loan closing documents.--*

In developing FSA-1980-15, the Authorized Agency Official shall tailor FSA-1980-15 to the specific borrower. Long lists of standard conditions developed for all borrowers should not be used. Each condition placed on the loan must be appropriate to the specific lending situation and produce a higher quality loan.

Issuing FSA-1980-15 with conditions is preferred to rejection of the request.

Example: If the security proposed by the lender will result in an inadequately secured loan, rather than deny the guarantee request, FSA-1980-15 may be executed, subject to the lender obtaining a lien on specified additional collateral.

Once FSA-1980-15 has been developed using the guidelines in this paragraph, the Authorized Agency Official shall submit FSA-1980-15 to the lender for execution according to paragraph 246.

A**Accepting or
Rejecting
Conditions**

The lender must meet all of the conditions specified in the FSA-1980-15 to secure final Agency approval of the guarantee. The lender, after reviewing the conditions listed on the FSA-1980-15, will complete, execute, and return the form to the Agency. If the conditions are not acceptable to the lender, the Agency may agree to alternatives or inform the lender and the loan applicant of their appeal rights.

*--When the lender receives FSA-1980-15, the lender should carefully review all the conditions. If the lender accepts all of the conditions, the lender should complete, sign, and return FSA-1980-15 to the Authorized Agency Official.

If the lender rejects the conditions, the lender may propose new conditions, along with justification for them. The Authorized Agency Official should review the--* new conditions and the lender's justification to determine whether they are acceptable to FSA. If the conditions cannot be accepted, the Authorized Agency Official should contact the lender to see if an agreement can be reached that is acceptable to both parties. If the new conditions are accepted or an agreement is reached, the conditions must then be reviewed and approved by the loan approval official before their incorporation in FSA-1980-15.

If, after all reasonable efforts have been made, an agreement cannot be reached, the Authorized Agency Official shall issue a rejection letter and inform the lender of its appeal rights according to 1-APP. Only after completion of the appeal may the Authorized Agency Official proceed with deobligation of funding in paragraph 250.

If a PLP lender rejects an 80 percent guarantee, received as a result of FSA not acting on a request within 14 calendar days, the Authorized Agency Official shall continue to process the request and issue a revised FSA-1980-15. If warranted, the revised FSA-1980-15 may contain conditions. The lender will have the option of accepting the 80 percent guarantee without conditions or come to an agreement with FSA on any conditions in the revised FSA-1980-15, and receive the requested level of guarantee.

Continued on the next page

246 Lender's Response to FSA-1980-15 (7 CFR 762.130(c)) (Continued)

B**Executing and Extending FSA-1980-15**

Once the lender executes FSA-1980-15, it must be returned to FSA for final processing. Once both parties execute the document, the lender may proceed to close the loan within the timeframe allotted in FSA-1980-15. If an extension is needed, the Authorized Agency Official may grant an extension in writing to the lender. Before issuing an extension, the Authorized Agency Official should consider whether enough time has passed that would justify updated financial information or an updated application.

The Authorized Agency Official should track the expiration date of FSA-1980-15. If the lender fails to contact the Authorized Agency Official before the expiration of FSA-1980-15, the Authorized Agency Official should contact the lender about the status of the loan.

247 Actions Before Issuing FSA-1980-27 (7 CFR 762.130)

A**Lender's Actions**

After loan closing, the lender must submit the following to FSA before issuing FSA-1980-27:

- FSA-1980-22

Note: The lender will certify as to the following on the form:

- **no major changes have been made in the lender's loan or line of credit conditions and requirements since submission of the application (except those approved in the interim by the Agency in writing)**
 - **required hazard, flood, crop, worker's compensation, and personal life insurance (when required) are in effect**
 - **truth in lending requirements have been met**
 - **all equal employment opportunity and nondiscrimination requirements have been or will be met at the appropriate time**
-

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A

**Lender's Actions
(Continued)**

- the loan or line of credit has been properly closed, and the required security instruments have been obtained, or will be obtained, on any acquired property that cannot be covered initially under State law
- the borrower has marketable title to the collateral owned by the borrower, subject to the instrument securing the loan or line of credit to be guaranteed and subject to any other exceptions approved in writing by the Agency

Note: When required, an assignment on all USDA crop and livestock program payments has been obtained.

- when required, personal, joint operation, partnership, or corporate guarantees have been obtained
- liens have been perfected and priorities are consistent with requirements of the conditional commitment
- loan proceeds have been, or will be disbursed for purposes and in amounts consistent with the conditional commitment and as specified on the loan application

Note: In line of credit cases, if any advances have occurred, advances have been disbursed for purposes and in amounts consistent with the conditional commitment and line of credit agreements.

- there has been no material adverse change in the borrower's condition, financial or otherwise, since submission of the application
- all other requirements specified in the conditional commitment have been met.

- RD-1980-19

Note: The lender must complete an Agency closing report form and return it to the Agency.

- *--a completed FSA-1980-25 or FSA-1980-28 with appropriate signatures if the lender submitted the application electronically--*

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Reports, Forms, Abbreviations, and Delegations of Authority

Reports None

Forms This table lists all forms referenced in this handbook.

Number	Title	Display Reference	Reference
AD-1026	Highly Erodible Land Conservation and Wetland Conservation Certification		69.5, 208
FEMA-81-93	Standard Flood Hazard Determination Form		138
FmHA-449-34	Loan Note Guarantee		281, 267
FSA-431-2	Farm and Home Plan		72
FSA-440-32	Request for Statement of Debts and Collateral		69.6, 152
FSA-1940-10	Cancellation of U.S. Treasury Check and/or Obligation		249
FSA-1980-01	Lender's Processing Checklist		69, 95
FSA-1980-02	Guaranteed Loan Processing Checklist		69
FSA-1980-03	Annual File Review Checklist for SEL and CLP Lenders		267
FSA-1980-04	Annual File Review Checklist for PLP Lenders		267
FSA-1980-05	Debt Writedown Review Checklist		329
FSA-1980-06	Guaranteed Estimated Loss Review Checklist for SEL and CLP Lenders		342, 359
FSA-1980-07	Guaranteed Loan Final Loss Review Checklist		360
FSA-1980-15	Conditional Commitment		Text
FSA-1980-22	Lender Certification		247
FSA-1980-24	Request for Interest Assistance Payment		228, 326
FSA-1980-25	Application for Guarantee		Text
FSA-1980-26	Report on Collection Activities on Liquidated Accounts		266, 362
FSA-1980-27	Loan Guarantee		267

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Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

**Forms
(Continued)**

Number	Title	Display Reference	Reference
FSA-1980-27	Loan Guarantee		247, 248, 250, 281, 373, 374, 376
FSA-1980-28	Preferred Lender Application for Guarantee		Text
FSA-1980-36	Assignment of Guarantee		373-375
FSA-1980-37	FSA Purchase of a Guaranteed Loan Portion		375
FSA-1980-38	Lender's Agreement		Text
FSA-1980-41	Guaranteed Farm Loan Status Report as of		266, 355, 376
FSA-1980-42	Notice of Substitution of Lender (Transaction 4034)		287
FSA-1980-44	Guaranteed Farm Loan Default Status Report		266, 300, 313, 314, 326, 329, 355, 357-359
FSA-1980-49	Guaranteed Loan Status Update Adjustment (Transaction 4048)		288
FSA-1980-64	Interest Assistance Agreement		224, 225, 227, 228, 230, 231, 287
FSA-1980-84	Modification of Loan Guarantee		281, 313, 326
FSA-1980-86	Notification of Transfer and Assumption of a Guaranteed Loan Transaction Code 4037		281
FSA-1980-88	Farm Loan Programs Guaranteed Writedown Worksheet		328
FSA-1980-89	Shared Appreciation Agreement for Guaranteed Loans		181, 288, 328, 341
G-641	Application for Verification of Information From Immigration and Naturalization Records		108
I-151	Alien Registration Receipt Card		108
I-551	Alien Registration Receipt Card		108
RD-449-30	Loan Note Guarantee Report of Loss		136, 288, 328, 342, 344, 355, 360, 362, 376

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